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 March 31, 2013

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from
Commission File Number 1-33146

KBR, Inc.
(Exact name of registrant as specified in its charter)
(a Delaware Corporation)
20-4536774
601 Jefferson Street
Suite 3400
Houston, Texas 77002
(Address of Principal Executive Offices)
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 the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to
be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the
registrant was required to submit and post such files). Yes ☑ No ☐

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

Large accelerated filer ☑ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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 April 12, 2013, there were 147,809,878 shares of KBR, Inc. common stock, $0.001 par value per share, outstanding.
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Forward-Looking and Cautionary Statements

This report contains certain statements that are, or may be deemed to be, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward looking information. Some of the statements contained in this quarterly report are forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “plan,” “expect” and similar expressions are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future financial performance and results of operations.

We have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. While it is not possible to identify all factors, factors that could cause actual future results to differ materially include the risks and uncertainties disclosed in our 2012 Annual Report on Form 10-K contained in Part I under “Risk Factors.”

Many of these factors are beyond our ability to control or predict. Any of these factors, or a combination of these factors, could materially and adversely affect our future financial condition or results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially and adversely from those projected in the forward-looking statements. We caution against putting undue reliance on forward-looking statements or projecting any future results based on such statements or on present or prior earnings levels. In addition, each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statement.
## Part I. Financial Information

### Item 1. Financial Statements

**KBR, Inc.**

**Condensed Consolidated Statements of Income**

* (In millions, except for per share data) *(Unaudited)*

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>$1,829</td>
<td>$1,964</td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated affiliates, net</td>
<td>30</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$1,859</td>
<td>2,001</td>
</tr>
<tr>
<td><strong>Operating costs and expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of services</td>
<td>1,673</td>
<td>1,838</td>
</tr>
<tr>
<td>General and administrative</td>
<td>52</td>
<td>55</td>
</tr>
<tr>
<td>Loss (gain) on disposition of assets, net</td>
<td>1</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>Total operating costs and expenses</strong></td>
<td>1,726</td>
<td>1,889</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>133</td>
<td>112</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Foreign currency losses, net</td>
<td>(4)</td>
<td>(1)</td>
</tr>
<tr>
<td>Other non-operating expense</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Income before income taxes and noncontrolling interests</strong></td>
<td>127</td>
<td>107</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>(30)</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>$97</td>
<td>98</td>
</tr>
<tr>
<td>Net income attributable to noncontrolling interests</td>
<td>(9)</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>Net income attributable to KBR</strong></td>
<td>$88</td>
<td>$91</td>
</tr>
<tr>
<td><strong>Net income attributable to KBR per share:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$0.59</td>
<td>$0.61</td>
</tr>
<tr>
<td>Diluted</td>
<td>$0.59</td>
<td>$0.61</td>
</tr>
<tr>
<td><strong>Basic weighted average common shares outstanding</strong></td>
<td>147</td>
<td>148</td>
</tr>
<tr>
<td><strong>Diluted weighted average common shares outstanding</strong></td>
<td>148</td>
<td>149</td>
</tr>
<tr>
<td><strong>Cash dividends declared per share</strong></td>
<td>$ —</td>
<td>$0.05</td>
</tr>
</tbody>
</table>

See accompanying notes to condensed consolidated financial statements.
KBR, Inc.

Condensed Consolidated Statements of Comprehensive Income
(In millions)
(Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Net income</td>
<td>97</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax:</td>
<td></td>
</tr>
<tr>
<td>Net cumulative translation adjustments (“CTA”):</td>
<td></td>
</tr>
<tr>
<td>Cumulative translation adjustments, net of tax</td>
<td>(8)</td>
</tr>
<tr>
<td>Reclassification adjustment for CTA included in net income</td>
<td>1</td>
</tr>
<tr>
<td>Net cumulative translation adjustment, net of tax of $0 and $0</td>
<td>(7)</td>
</tr>
<tr>
<td>Pension liability adjustments, net of tax:</td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustment for pension liability losses included in net income, net of taxes of $2 and $2</td>
<td>7</td>
</tr>
<tr>
<td>Unrealized gains (losses) on derivatives:</td>
<td></td>
</tr>
<tr>
<td>Unrealized holding gains (losses) on derivatives, net of tax</td>
<td>(1)</td>
</tr>
<tr>
<td>Reclassification adjustments for losses included in net income</td>
<td>—</td>
</tr>
<tr>
<td>Net unrealized gain (loss) on derivatives, net of taxes of $0 and $1(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax</td>
<td>(1)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>96</td>
</tr>
<tr>
<td>Less: Comprehensive income attributable to noncontrolling interests</td>
<td>(9)</td>
</tr>
<tr>
<td>Comprehensive income attributable to KBR</td>
<td>87</td>
</tr>
</tbody>
</table>

See accompanying notes to condensed consolidated financial statements.
## KBR, Inc.

### Condensed Consolidated Balance Sheets

(In millions, except share data)

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and equivalents</td>
<td>$904</td>
<td>$1,053</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, net of allowance for bad debts of $16 and $15</td>
<td>$1,280</td>
<td>$1,196</td>
</tr>
<tr>
<td>Unbilled receivables on uncompleted contracts</td>
<td>$784</td>
<td>$704</td>
</tr>
<tr>
<td>Total receivables</td>
<td>$2,064</td>
<td>$1,900</td>
</tr>
<tr>
<td>Current deferred income tax asset</td>
<td>$194</td>
<td>$251</td>
</tr>
<tr>
<td>Other current assets</td>
<td>$333</td>
<td>$464</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$3,495</td>
<td>$3,668</td>
</tr>
<tr>
<td>Property, plant, and equipment, net of accumulated depreciation of $355 and $356 (including net PPE of $65 and $72 owned by a variable interest entity - See Note 10)</td>
<td>$390</td>
<td>$390</td>
</tr>
<tr>
<td>Goodwill</td>
<td>$778</td>
<td>$779</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>$94</td>
<td>$99</td>
</tr>
<tr>
<td>Equity in and advances to related companies</td>
<td>$202</td>
<td>$217</td>
</tr>
<tr>
<td>Noncurrent deferred tax asset</td>
<td>$164</td>
<td>$203</td>
</tr>
<tr>
<td>Noncurrent unbilled receivables on uncompleted contracts</td>
<td>$294</td>
<td>$294</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>$130</td>
<td>$117</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$5,547</td>
<td>$5,767</td>
</tr>
<tr>
<td><strong>Liabilities and Shareholders’ Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$766</td>
<td>$756</td>
</tr>
<tr>
<td>Due to former parent, net</td>
<td>$49</td>
<td>$49</td>
</tr>
<tr>
<td>Advance billings on uncompleted contracts</td>
<td>$522</td>
<td>$536</td>
</tr>
<tr>
<td>Reserve for estimated losses on uncompleted contracts</td>
<td>$47</td>
<td>$56</td>
</tr>
<tr>
<td>Employee compensation and benefits</td>
<td>$226</td>
<td>$242</td>
</tr>
<tr>
<td>Current non-recourse project-finance debt of a variable interest entity (Note 10)</td>
<td>$9</td>
<td>$10</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>$404</td>
<td>$628</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$2,023</td>
<td>$2,277</td>
</tr>
<tr>
<td>Noncurrent employee compensation and benefits</td>
<td>$471</td>
<td>$511</td>
</tr>
<tr>
<td>Noncurrent non-recourse project-finance debt of a variable interest entity (Note 10)</td>
<td>$79</td>
<td>$84</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>$211</td>
<td>$217</td>
</tr>
<tr>
<td>Noncurrent income tax payable</td>
<td>$89</td>
<td>$90</td>
</tr>
<tr>
<td>Noncurrent deferred tax liability</td>
<td>$75</td>
<td>$77</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$2,948</td>
<td>$3,256</td>
</tr>
<tr>
<td><strong>KBR Shareholders’ equity:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock, $0.001 par value, 50,000,000 shares authorized, 0 shares issued and outstanding</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Common stock, $0.001 par value, 300,000,000 shares authorized, 173,515,165 and 173,218,898 shares issued, and 147,751,679 and 147,584,764 shares outstanding</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Paid-in capital in excess of par</td>
<td>$2,056</td>
<td>$2,049</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>$(611)</td>
<td>$(610)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>$1,797</td>
<td>$1,709</td>
</tr>
<tr>
<td>Treasury stock, 25,763,486 shares and 25,634,134 shares, at cost</td>
<td>$(610)</td>
<td>$(606)</td>
</tr>
<tr>
<td><strong>Total KBR shareholders’ equity</strong></td>
<td>$2,632</td>
<td>$2,542</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>$(33)</td>
<td>$(31)</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>$2,599</td>
<td>$2,511</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>$5,547</td>
<td>$5,767</td>
</tr>
</tbody>
</table>

See accompanying notes to condensed consolidated financial statements.
<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$793</td>
<td>$980</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td></td>
<td></td>
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<tr>
<td>Depreciation and amortization</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated affiliates</td>
<td>30</td>
<td>37</td>
</tr>
<tr>
<td>Deferred income tax expense</td>
<td>81</td>
<td>25</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>95</td>
<td>132</td>
</tr>
<tr>
<td>Unbilled receivables on uncompleted contracts</td>
<td>88</td>
<td>148</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>17</td>
<td>4</td>
</tr>
<tr>
<td>Advance billings on uncompleted contracts</td>
<td>5</td>
<td>181</td>
</tr>
<tr>
<td>Accrued employee compensation and benefits</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Reserve for loss on uncompleted contracts</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Repayment of advances to unconsolidated affiliates, net</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td>Distributions of earnings from unconsolidated affiliates</td>
<td>41</td>
<td>12</td>
</tr>
<tr>
<td>Other, net</td>
<td>96</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total cash flows used in operating activities</strong></td>
<td>$-93</td>
<td>$-107</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Acquisition of business, net</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td>Return of capital from equity method joint ventures</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total cash flows used in investing activities</strong></td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to reacquire common stock</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Distributions to noncontrolling interests, net</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Payments of dividends to shareholders</td>
<td>—</td>
<td>7</td>
</tr>
<tr>
<td>Net proceeds from issuance of stock</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Excess tax benefits from share-based compensation</td>
<td>—</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total cash flows used in financing activities</strong></td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Decrease in cash and equivalents</td>
<td>(149)</td>
<td>(129)</td>
</tr>
<tr>
<td>Cash and equivalents at beginning of period</td>
<td>1,053</td>
<td>966</td>
</tr>
<tr>
<td><strong>Cash and equivalents at end of period</strong></td>
<td>$904</td>
<td>$837</td>
</tr>
<tr>
<td>Supplemental disclosure of cash flow information:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>$3</td>
<td>$5</td>
</tr>
<tr>
<td>Cash paid for income taxes (net of refunds)</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Noncash operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets change for Barracuda arbitration (Note 7)</td>
<td>$-219</td>
<td>$3</td>
</tr>
<tr>
<td>Other liabilities change for Barracuda arbitration (Note 7)</td>
<td>$219</td>
<td>$-3</td>
</tr>
</tbody>
</table>

See accompanying notes to condensed consolidated financial statements.
Note 1. Description of Company and Basis of Presentation

KBR, Inc., a Delaware corporation, was formed on March 21, 2006. KBR, Inc. and its subsidiaries (collectively, “KBR”) is a global engineering, construction and services company supporting the energy, hydrocarbons, government services, minerals, civil infrastructure, power, industrial and commercial markets. Headquartered in Houston, Texas, we offer a wide range of services through our Hydrocarbons; Infrastructure, Government and Power (“IGP”); Services; and Other business segments. See Note 4 for additional financial information about our business segments.

Principles of consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules of the United States Securities and Exchange Commission (“SEC”) for interim financial statements and do not include all annual disclosures required by accounting principles generally accepted in the United States (“U.S. GAAP”). These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed with the SEC. We believe that the presentation and disclosures herein are adequate to make the information not misleading, and the condensed consolidated financial statements reflect all normal adjustments that management considers necessary for a fair presentation of our condensed consolidated results of operations, financial position and cash flows. Operating results for interim periods are not necessarily indicative of results to be expected for the full fiscal year 2013 or any other future periods.

Our condensed consolidated financial statements include the accounts of majority-owned, controlled subsidiaries and variable interest entities where we are the primary beneficiary (see Note 10). The equity method is used to account for investments in affiliates in which we have the ability to exert significant influence over the affiliates’ operating and financial policies. The cost method is used when we do not have the ability to exert significant influence. All intercompany accounts and transactions are eliminated in consolidation.

Use of estimates

The preparation of our condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. We believe the most significant estimates and judgments are associated with revenue recognition on engineering and construction contracts and government contracts, recognition of estimated losses on uncompleted contracts, recoverability assessments that must be periodically performed with respect to goodwill and intangible asset balances and deferred tax assets, estimation of pension obligations, assessment of variable interest entities as well as the determination of liabilities related to contingencies. Actual results could differ materially from those estimates.

Certain prior quarter amounts have been reclassified to conform to current quarter presentation on the condensed consolidated statements of cash flows.

Accounting for pre-contract costs

Pre-contract costs incurred in anticipation of a specific contract award are deferred only if the costs can be directly associated with a specific anticipated contract and their recoverability from that contract is probable. Pre-contract costs related to unsuccessful bids are written off no later than the period we are informed that we are not awarded the specific contract. Costs related to one-time activities such as introducing a new product or service, conducting business in a new territory, conducting business with a new class of customer or commencing new operations are expensed when incurred. We had no deferred pre-contract costs at March 31, 2013 and December 31, 2012.

Cash and equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and equivalents include cash related to contracts in progress as well as cash held by our joint ventures that we consolidate for accounting purposes. Joint venture cash balances are limited to joint venture activities and are not available for other projects, general cash needs or distributions to us without approval of the board of directors of the respective joint ventures. Cash held by
our joint ventures that we consolidate for accounting purposes totaled approximately $197 million at March 31, 2013 and $201 million at December 31, 2012. We expect to use the cash in these joint ventures to pay project costs.

**Accounting for retainage receivable**

Retainage receivable represents balances billed but not paid by clients pursuant to retainage provisions in the contracts and will be due upon completion of specific tasks or the completion of the contract. Our retainage receivable excludes amounts withheld under Form 1s related to certain contracts with the U.S. government (see Note 5). As of March 31, 2013 and December 31, 2012, the current portion of retainage receivable included in accounts receivable was $100 million and $84 million, respectively, and the noncurrent portion of retainage receivable included in other noncurrent assets was $12 million and $11 million, respectively.

**Note 2. Income per Share**

Basic income per share is based upon the weighted average number of common shares outstanding during the period. Dilutive income per share includes additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued using the treasury stock method. A reconciliation of the number of shares used for the basic and diluted income per share calculations is as follows:

<table>
<thead>
<tr>
<th>Millions of Shares</th>
<th>Three Months Ended March 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic weighted average common shares</td>
<td>147</td>
<td>148</td>
</tr>
<tr>
<td>Stock options and restricted shares</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Diluted weighted average common shares</td>
<td>148</td>
<td>149</td>
</tr>
</tbody>
</table>

For purposes of applying the two-class method in computing earnings per share, net earnings allocated to participating securities was approximately $0.3 million for the three months ended March 31, 2013 and $0.4 million for the three months ended March 31, 2012. The diluted earnings per share calculation did not include 1.2 million and 0.6 million antidilutive weighted average shares for the three months ended March 31, 2013 and 2012, respectively.

**Note 3. Percentage-of-Completion Contracts**

**Unapproved change orders and claims**

The amounts of unapproved change orders and claims included in determining the profit or loss on contracts and recorded in current and noncurrent unbilled receivables on uncompleted contracts are as follows:

<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims</td>
<td>$129</td>
<td>$126</td>
</tr>
<tr>
<td>Unapproved change orders</td>
<td>$57</td>
<td>$35</td>
</tr>
</tbody>
</table>

As of March 31, 2013, claims and unapproved change orders related to several projects. Included in the table above are claims associated with the reimbursable portion of an EPC contract to construct an LNG facility for which we have recognized additional contract revenue totaling $109 million. The claims on this project represent incremental subcontractor costs that we are legally entitled to recover from the customer under the terms of the EPC contract. See Note 5 for a discussion of U.S. government claims, which are not included in the table above. Also included in the table above are unapproved change orders of $37 million related to a building expansion project and $16 million associated with our two Indonesian projects for which we are currently negotiating contractual terms with the customer.

For our unconsolidated subsidiaries, our share of claims and unapproved change orders was $16 million and $30 million, respectively, as of March 31, 2013.
**Liqui** **dated damages**

Many of our engineering and construction contracts have milestone due dates that if not met could subject us to penalties for liquidated damages if claims are asserted and we were responsible for the delays. These generally relate to specified activities that must be completed within a project by a set contractual date or achievement of a specified level of output or throughput of a plant we construct. Each contract defines the conditions under which a customer may make a claim for liquidated damages. However, in some instances, liquidated damages are not asserted by the customer, but the potential to do so is used in negotiating claims and closing out the contract.

Based upon our evaluation of our performance and other legal analysis, we have not accrued for possible liquidated damages related to several projects totaling $2 million at March 31, 2013 and December 31, 2012, respectively, (including amounts related to our share of unconsolidated subsidiaries) that we could incur based upon completing the projects as currently forecasted.

**Advances**

We receive customer advances in the normal course of business. Most of these are periodic progress payments and are applied to invoices usually within one to three months. However, as of March 31, 2013 and December 31, 2012, we held advances from customers of $73 million and $82 million, respectively, which were designed to assist us in financing project activity including subcontractor costs. These balances are included in advance billings on uncompleted contracts in our condensed consolidated balance sheets. For these customers, the balances in trade accounts receivable and unbilled receivables on uncompleted contracts exceeded the amount of the advances.

**Changes in Estimates**

During the quarter ended March 31, 2013, significant revisions to contract estimates had a $38 million positive impact on the segment operating income of our Hydrocarbons business group as a result of revised project estimates on two of our projects in our Gas Monetization business unit.

**Note 4. Business Segment Information**

We provide a wide range of services and the management of our business is heavily focused on major projects within each of our reportable segments. At any given time, a relatively few number of projects and joint ventures represent a substantial part of our operations. Our equity in earnings and losses of unconsolidated affiliates that are accounted for using the equity method of accounting is included in revenue of the applicable segment.

Reportable segment performance is evaluated by our chief operating decision maker using operating segment income which is defined as operating segment revenue less the cost of services and segment overhead directly attributable to the operating segment. Reportable segment income excludes certain cost of services and general and administrative expenses directly attributable to the operating segment that is managed and reported at the corporate level and corporate general and administrative expenses. Labor cost absorption in the following table represents income or expense generated by our central service labor and resource groups for amounts charged to the operating segments. Additionally in the following table, depreciation and amortization associated with corporate assets are allocated to our operating segments for determining operating income or loss.
The table below presents information on our reportable segments.

<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydrocarbons</td>
<td>$947</td>
<td>$1,116</td>
</tr>
<tr>
<td>Infrastructure, Government and Power</td>
<td>407</td>
<td>518</td>
</tr>
<tr>
<td>Services</td>
<td>485</td>
<td>348</td>
</tr>
<tr>
<td>Other</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$1,859</td>
<td>$2,001</td>
</tr>
<tr>
<td><strong>Segment operating income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydrocarbons</td>
<td>$148</td>
<td>$105</td>
</tr>
<tr>
<td>Infrastructure, Government and Power</td>
<td>27</td>
<td>39</td>
</tr>
<tr>
<td>Services</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Segment operating income</td>
<td>200</td>
<td>166</td>
</tr>
<tr>
<td><strong>Unallocated amounts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor cost absorption income (expense)</td>
<td>(15)</td>
<td>1</td>
</tr>
<tr>
<td>Corporate general and administrative expense</td>
<td>(52)</td>
<td>(55)</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>$133</td>
<td>$112</td>
</tr>
</tbody>
</table>

**Note 5. U.S. Government Matters**

We provide substantial work under our government contracts to the United States Department of Defense (“DoD”) and other governmental agencies. These contracts include our worldwide United States Army logistics contracts, known as LogCAP III and IV.

Given the demands of working in Iraq and elsewhere for the U.S. government, we have disagreements and have experienced performance issues with the various government customers for which we work. When performance issues arise under any of our government contracts, the government retains the right to pursue remedies, which could include termination, under any affected contract. If any contract were so terminated, our ability to secure future contracts could be adversely affected, although we would receive payment for amounts owed for our allowable costs under cost-reimbursable contracts. Other remedies that could be sought by our government customers for any improper activities or performance issues include sanctions such as forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the government. Further, the negative publicity that could arise from disagreements with our customers or sanctions as a result thereof could have an adverse effect on our reputation in the industry, reduce our ability to compete for new contracts and may also have a material adverse effect on our business, financial condition, results of operations and cash flow.

We have experienced and expect to be a party to various claims against us by employees, third parties, soldiers, subcontractors and others that have arisen out of our work in Iraq such as claims for wrongful termination, personal injury claims by third parties and army personnel, and subcontractor claims. While we believe we conduct our operations safely, the environments in which we operate often lead to these types of claims. We believe the vast majority of these claims are governed by the Defense Base Act or precluded by other defenses. We have a dispute resolution program under which most employment claims are subject to binding arbitration. However, as a result of amendments to the Department of Defense Appropriations Act of 2010, certain types of employee claims cannot be compelled to binding arbitration. An unfavorable resolution or disposition of these matters could have a material adverse effect on our business, results of operations, financial condition and cash flow.
Government Compliance Matters

The negotiation, administration and settlement of our contracts with the U.S. government, consisting primarily of DoD contracts, are subject to audit by the Defense Contract Audit Agency ("DCAA"), which serves in an advisory role to the Defense Contract Management Agency ("DCMA"), which is responsible for the administration of our contracts. The scope of these audits include, among other things, the allowability, allocability and reasonableness of incurred costs, approval of annual overhead rates, compliance with the Federal Acquisition Regulation ("FAR") and Cost Accounting Standards ("CAS"), compliance with certain unique contract clauses and audits of certain aspects of our internal control systems. Issues identified during these audits are typically discussed and reviewed with us, and certain matters are included in audit reports issued by the DCAA, with its recommendations to our customer’s Administrative Contracting Officer ("ACO"). We attempt to resolve all issues identified in audit reports by working directly with the DCAA and the ACO. When agreement cannot be reached, the DCAA may issue a Form 1, “Notice of Contract Costs Suspended and/or Disapproved,” which recommends withholding the previously paid amounts or it may issue an advisory report to the ACO. KBR is permitted to respond to these actions and provide additional support. At March 31, 2013, we have open Form 1s from the DCAA recommending suspension of payments totaling approximately $283 million associated with our contract costs incurred in prior years, of which $138 million has been withheld from our current billings. As a consequence, for certain of these matters, we have withheld $50 million from our subcontractors under the payment terms of those contracts. In addition, we have outstanding demand letters received from our customer requesting that we remit a total of $99 million of disapproved costs for which we do not believe we have a legal obligation to pay. We continue to work with our ACOs, the DCAA and our subcontractors to resolve these issues. However, for certain of these matters, we have filed claims with the Armed Services Board of Contract Appeals ("ASBCA") or the United States Court of Federal Claims ("U.S. COFC").

KBR excludes from billings to the U.S. government costs that are potentially unallowable, expressly unallowable, or mutually agreed to be unallowable, or not allocable to government contracts pursuant to applicable regulations. Revenue recorded for government contract work is reduced at the time we identify and estimate potentially refundable costs related to issues that may be categorized as disputed or unallowable as a result of cost overruns or the audit process. Our estimates of potentially unallowable costs are based upon, among other things, our internal analysis of the facts and circumstances, terms of the contracts and the applicable provisions of the FAR and CAS, quality of supporting documentation for costs incurred and subcontract terms as applicable. From time to time, we engage outside counsel to advise us on certain matters in determining whether certain costs are allowable. We also review our analysis and findings with the ACO as appropriate. In some cases, we may not reach agreement with the DCAA or the ACO regarding potentially unallowable costs which may result in our filing of claims in various courts such as the ASBCA or the U.S. COFC. We only include amounts in revenue related to disputed and potentially unallowable costs when we determine it is probable that such costs will result in the collection of revenue. We generally do not recognize additional revenue for disputed or potentially unallowable costs for which revenue has been previously reduced until we reach agreement with the DCAA and/or the ACO that such costs are allowable.

Certain issues raised as a result of contract audits and other investigations are discussed below.

Private Security. In 2007, we received a Form 1 from the Department of the Army ("Army") informing us of their intent to adjust payments under the LogCAP III contract associated with the cost incurred for the years 2003 through 2006 by certain of our subcontractors to provide security to their employees. Based on that notice, the Army withheld its initial assessment of $20 million. The Army based its initial assessment on one subcontract wherein, based on communications with the subcontractor, the Army estimated 6% of the total subcontract costs related to the private security. We subsequently received Form 1s from the DCAA disapproving an additional $83 million of costs for a total of $103 million alleged to have been incurred by us and our subcontractors to provide security during the same periods. In late January 2013, the Principal Contracting Officer (PCO) issued a Contracting Officers Final Determination ("COFD") which concluded that only $55 million was properly subject to challenge and therefore, the prior Form 1 for $103 million was no longer relevant. The Army has withheld an additional $25 million in payments from us bringing the total payments withheld to $45 million as of March 31, 2013 out of the Form 1s issued to date of $55 million. Of these amounts, approximately $20 million relates to indirect costs of security incurred by KBR and the remainder relates to alleged costs incurred by KBR's subcontractors.

The Army indicated that they believe our LogCAP III contract prohibits us and our subcontractors from billing costs of privately armed security. We believe that, while the LogCAP III contract anticipates that the Army will provide force protection to KBR employees, it does not prohibit us or any of our subcontractors from using private security services to provide force protection to KBR or subcontractor personnel. In addition, a significant portion of our subcontractors are competitively bid fixed price subcontracts. As a result, we do not receive details of the subcontractors’ cost estimate nor are we legally entitled to it. Further, we have not paid our subcontractors any additional compensation for security services. Accordingly, we believe that we are entitled to reimbursement by the Army for the cost of services provided by us or our subcontractors, even if they incurred costs for private force protection services. Therefore, we do not agree with the Army’s position that such costs are unallowable and that they are entitled to withhold amounts incurred for such costs.
We have provided at the Army’s request information that addresses the use of armed security either directly or indirectly charged to LogCAP III. In 2007, we filed a complaint in the ASBCA to recover $44 million of the amounts withheld from us. In April 2012, the ASBCA ruled, as requested by KBR, that our contract with the Army does not prohibit the use of private security contractors by either KBR or its subcontractors. However, our motion to dismiss was denied on grounds that potential fact issues remain related to the reasonableness of the private security costs charged to the contract. The three private security-related appeals currently pending before the ASBCA now have been consolidated for a single, four-week hearing starting April 15, 2013. These appeals potentially involve the alleged use of private security contractors by both KBR and up to 33 of its LOGCAP III subcontractors. We believe these sums were properly billed under our contract with the Army. At this time, we believe the likelihood that we would incur a loss related to this matter is remote. We have not adjusted our revenues or accrued any amounts related to this matter.

Containers. In June 2005, the DCAA recommended withholding certain costs associated with providing containerized housing for soldiers and supporting civilian personnel in Iraq. The DCMA agreed that the costs be withheld pending receipt of additional explanation or documentation to support the subcontract costs. During the first quarter of 2011, we received a Form 1 from the DCAA disapproving $25 million in costs related to containerized housing that had previously been deemed allowable. As of March 31, 2013, $51 million of costs have been suspended under Form 1s of which $26 million have been withheld from us by our customer. We have withheld $30 million from our subcontractor related to this matter. In April 2008, we filed a counterclaim in arbitration against our LogCAP III subcontractor, First Kuwaiti Trading Company, to recover the $51 million we paid to the subcontractor for containerized housing as further described under the caption First Kuwaiti Trading Company arbitration below. During the first quarter of 2011, we filed a complaint before the ASBCA to contest the Form 1s and to recover the amounts withheld from us by our customer. At the request of the government, that complaint was dismissed without prejudice in January 2013 so that the government could pursue its False Claims Act suit described below. We are free to re-file the complaint in the future. We believe that the costs incurred associated with providing containerized housing are reasonable, and we intend to vigorously defend ourselves in this matter. We do not believe that we face a risk of material loss from any disallowance of these costs in excess of the amounts we have withheld from subcontractors and the loss accruals we have recorded. At this time, we believe that the likelihood we would incur a loss related to this matter in excess of the amounts we have withheld from subcontractors and the loss accruals we have recorded is remote. This matter is also the subject of a separate claim filed by the DOJ for alleged violation of the False Claims Act as discussed further below under the heading “Investigations, Qui Tams and Litigation.”

Dining facilities. In 2006, the DCAA raised questions regarding our billings and price reasonableness of costs related to dining facilities in Iraq. We responded to the DCMA that our costs are reasonable. As of March 31, 2013, we have outstanding Form 1s from the DCAA disapproving $104 million in costs related to these dining facilities until such time we provide documentation to support the price reasonableness of the rates negotiated with our subcontractor and demonstrate that the amounts billed were in accordance with the contract terms. We believe the prices obtained for these services were reasonable and intend to vigorously defend ourselves on this matter. We filed claims in the U.S. COFC or ASBCA to recover $55 million of the $57 million withheld from us by the customer. In April 2012, the U.S. COFC ruled that KBR’s negotiated price for certain DFAC services were not reasonable and that we are entitled to $12 million of the total $41 million withheld from us by our customer related to one of our subcontractors, Tamimi. As a result of this ruling, we recognized a noncash, pre-tax charge of $28 million as a reduction to revenue related to the disallowed portion of the questioned costs in the second quarter of 2012. We appealed the U.S. COFC ruling and are awaiting a hearing date. Prior to the U.S. COFC ruling, Tamimi filed for arbitration against us in 2009 to recover the payments we withheld from Tamimi pending the resolution of Form 1s with our customer. In December 2010, the arbitration panel ruled that our subcontract terms were not sufficient to hold retention from Tamimi for price reasonableness matters and awarded the subcontractor $38 million including interest and certain legal costs. We paid the award to Tamimi during the third quarter of 2011. We do not believe we have the ability to recover the disallowed portion of the questioned costs previously paid to Tamimi. With respect to remaining questions raised regarding billing in accordance with contract terms, as of March 31, 2013, we believe it is reasonably possible that we could incur losses in excess of the amount accrued for possible subcontractor costs billed to the customer that were possibly not in accordance with contract terms. However, we do not believe we face a risk of material loss from any disallowance of these costs in excess of amounts withheld from subcontractors. As of March 31, 2013, we had withheld $16 million in payments from several of our subcontractors pending the resolution of these remaining matters with our customer.

In March 2011, the DOJ filed a counterclaim in the U.S. COFC alleging KBR employees accepted bribes from Tamimi in exchange for awarding a master agreement for DFAC services to Tamimi. The DOJ sought disgorgement of all funds paid to KBR under the master agreement as well as all award fees paid to KBR under the related task orders. Trial in the U.S. COFC took place during the fourth quarter of 2011. In conjunction with the April 2012 ruling on the Tamimi matter discussed above, the U.S. COFC issued a judgment in favor of KBR on the common law fraud counterclaim ruling that the fraud allegations brought by the DOJ were without merit. The DOJ has filed a notice of appeal. Briefing has been completed and oral arguments before the Federal Circuit Court of Appeals are scheduled for May 2013.
In August 2011, another DFAC subcontractor, Gulf Catering Company, filed for arbitration in the London Court of International Arbitration to recover $11 million for payments we have withheld from them pending resolution of outstanding Form 1s with our customer. The hearing was held in November 2012 in London and we expect a decision in the second quarter of 2013. As noted above, we have claims pending in the U.S. COFC to recover these amounts from the U.S. government.

Transportation costs. In 2007, the DCAA raised a question about our compliance with the provisions of the Fly America Act. During the first quarter of 2011, we received a Form 1 from the DCAA totaling $6 million for alleged violations of the Fly America Act in 2004. Subject to certain exceptions, the Fly America Act requires Federal employees and others performing government-financed contracts to travel by U.S. flag air carriers. There are times when we transported personnel in connection with our services for the U.S. military where we may not have been in compliance with the Fly America Act and its interpretations through the Federal Acquisition Regulations and the Comptroller General. In October 2011, at the request of the DCMA, we submitted an estimate of the impact of our non-compliance with the Fly America Act for 2003 and 2004. In February 2012, the DCAA commenced an audit of our estimate. This audit is in process. Included in our March 31, 2013 and December 31, 2012 accompanying consolidated balance sheets is an accrued estimate of the cost incurred for these potentially noncompliant flights. As a result of their audit, the DCAA may consider additional flights to be noncompliant resulting in potentially larger amounts of disallowed costs than the amount we have accrued. At this time, we cannot estimate a range of reasonably possible losses that may have been incurred, if any, in excess of the amount accrued. We will continue to work with our customer to resolve this matter.

In the first quarter of 2011, we received a Form 1 from the DCAA disapproving certain transportation costs totaling $27 million associated with replacing employees who were deployed in Iraq and Afghanistan for less than 179 days. The DCAA claims these replacement costs violate the terms of the LogCAP III contract which expressly disallow certain costs associated with the contractor rotation of employees who have deployed less than 179 days including costs for transportation, lodging, meals, orientation and various forms of per diem allowances. We disagree with the DCAA’s interpretation and application of the contract terms as it was applied to circumstances outside of our control including sickness, death, termination for cause or resignation and that such costs should be allowable. We do not believe we face a risk of material loss from any disallowance of these costs in excess of the loss accruals we have recorded.

Construction services. From February 2009 through September 2010, we received Form 1s from the DCAA disapproving $25 million in costs related to work performed under our CONCAP III contract with the U.S. Navy to provide emergency construction services primarily to government facilities damaged by Hurricanes Katrina and Wilma. The DCAA claims the costs billed to the U.S. Navy primarily related to subcontract costs that were either inappropriately bid, included unallowable profit markup or were unreasonable. In February 2012, the Contracting Officer rendered a COFD allowing $10 million and disallowing $15 million of direct costs. We filed an appeal with the ASBCA in June 2012. As of March 31, 2013, the U.S. Navy has withheld $10 million from us. We believe we undertook adequate and reasonable steps to ensure that proper bidding procedures were followed and the amounts billed to the customer were reasonable and not in violation of the FAR. Notwithstanding, as of March 31, 2013, we have accrued our estimate of probable loss related to this matter and do not believe we face a risk of material loss in excess of the amounts accrued.

Investigations, Qui Tams and Litigation

The following matters relate to ongoing litigation or investigations involving U.S. government contracts.

McBride Qui Tam suit. In September 2006, we became aware of a qui tam action filed against us in the U.S. District Court in the District of Columbia by a former employee alleging various wrongdoings in the form of overbillings to our customer on the LogCAP III contract. This case was originally filed pending the government’s decision whether or not to participate in the suit. In June 2006, the government formally declined to participate. The principal allegations are that our compensation for the provision of Morale, Welfare and Recreation (“MWR”) facilities under LogCAP III is based on the volume of usage of those facilities and that we deliberately overstated that usage. In accordance with the contract, we charged our customer based on actual cost, not based on the number of users. It was also alleged that, during the period from November 2004 into mid-December 2004, we continued to bill the customer for lunches, although the dining facility was closed and not serving lunches. There are also allegations regarding housing containers and our provision of services to our employees and contractors. On July 5, 2007, the court granted our motion to dismiss the qui tam claims and to compel arbitration of employment claims including a claim that the plaintiff was unlawfully discharged. The majority of the plaintiff’s claims were dismissed but the plaintiff was allowed to pursue limited claims pending discovery and future motions. Substantially all employment claims were sent to arbitration under the Company’s dispute resolution program and were subsequently resolved in our favor. In January 2009, the Relator filed an amended complaint which is pending a ruling on a discovery matter before further motions can be filed. On September 17, 2012, the Relator filed an objection to the Magistrate’s ruling, essentially appealing the ruling to the U.S. District Court. The motion remained
pending for several years. On November 19, 2012, the U.S. District Court affirmed and adopted the prior ruling, limiting the Relator's claims to our sites and dates previously claimed. We have completed the remaining depositions and the Magistrate set a schedule for the filing of any dispositive motions due on or before April 30, 2013. No trial date has been set, pending resolution of dispositive motions. We believe the Relator's claim is without merit and that the likelihood that a loss has been incurred is remote. As of March 31, 2013, no amounts have been accrued.

First Kuwaiti Trading Company arbitration. In April 2008, First Kuwaiti Trading Company ("FKTC" or "First Kuwaiti"), one of our LogCAP III subcontractors, filed for arbitration of a subcontract under which KBR had leased vehicles related to work performed on our LogCAP III contract. The FKTC arbitration is conducted under the rules of the American Association / International Centre for Dispute Resolution and the venue is in the District of Columbia. First Kuwaiti alleged that we did not return or pay rent for many of the vehicles and seeks damages in the amount of $134 million. We filed a counterclaim to recover amounts which may ultimately be determined due to the government for the $51 million in suspended costs as discussed in the preceding section of this footnote titled “Containers.” To date, arbitration hearings for four subcontracts have taken place primarily related to claims involving unpaid rents and damages on lost or unreturned vehicles. The arbitration panel has awarded $16 million to FKTC for claims involving unpaid rents and damages on lost or unreturned vehicles, repair costs on certain vehicles, damages suffered as a result of late vehicle returns and interest thereon, net of maintenance, storage and security costs awarded to KBR. In addition, we have stipulated that we owe FKTC $26 million in connection with five other subcontracts. No payments are expected to occur until all claims are arbitrated and awards finalized. The final hearing on FKTC’s claims was heard before the arbitration panel in January 2013, and there is one more claim that will be submitted to the arbitration panel for decision without the need for a hearing. KBR’s counterclaims have not yet been scheduled for hearing. We believe any damages ultimately awarded to First Kuwaiti will be billable under the LogCAP III contract. Accordingly, we have accrued amounts payable and a related unbilled receivable for the amounts awarded to First Kuwaiti pursuant to the terms of the contract.

Electrocution litigation. During 2008, a lawsuit was filed against KBR in Pittsburgh, PA, in the Allegheny County Common Pleas Court alleging that the Company was responsible for an electrical incident which resulted in the death of a soldier. This incident occurred at the Radwaniyah Palace Complex near Baghdad, Iraq. It is alleged in the suit that the electrocution incident was caused by improper electrical maintenance or other electrical work. KBR denies that its conduct was the cause of the event and denies legal responsibility. Plaintiffs are claiming unspecified damages for personal injury, death and loss of consortium by the parents. On July 13, 2012, the Court granted our motions to dismiss, concluding that the case is barred by the Political Question Doctrine and preempted by the Combatant Activities Exception to the Federal Tort Claims Act. The plaintiffs filed their notice of appeal with the Third Circuit Court of Appeals in the Western District of Pennsylvania, and filed their first brief October 12, 2012. We filed our brief on November 30, 2012, and the Appellants filed their reply brief on December 20, 2012. Oral argument is expected in the first half of 2013. At this time, we believe the likelihood we would incur a loss related to this matter is remote. As of March 31, 2013, no amounts have been accrued.

Burn Pit litigation. From November 2008 through March 2013, KBR was served with over 50 lawsuits in various states alleging exposure to toxic materials resulting from the operation of burn pits in Iraq or Afghanistan in connection with services provided by KBR under the LogCAP III contract. Each lawsuit has multiple named plaintiffs collectively representing approximately 250 individual plaintiffs. The lawsuits primarily allege negligence, willful and wanton conduct, battery, intentional infliction of emotional harm, personal injury and failure to warn of dangerous and toxic exposures which has resulted in alleged illnesses for contractors and soldiers living and working in the bases where the pits were operated. The plaintiffs are claiming unspecified damages. All of the pending cases were removed to Federal Court and have been consolidated for multi-district litigation treatment before the U.S. Federal District Court in Baltimore, Maryland. In December 2010, the Court stayed virtually all discovery proceedings pending a decision from the Fourth Circuit Court of Appeals on three other cases involving the Political Question Doctrine and other jurisdictional issues. In May 2012, the Court denied plaintiffs’ request for jurisdictional discovery. In June 2012, KBR filed a renewed motion to dismiss which was heard in July 2012. In February 2013, the Court dismissed the case against KBR, accepting all of KBR’s defense claims including the Political Question Doctrine; the Combat Activities Exception in the Federal Tort Claims Act; and Derivative Sovereign Immunity. The plaintiffs filed their notice of appeal with the Fourth Circuit Court of Appeals on March 27, 2013. At this time we believe the likelihood that we would incur a loss related to this matter is remote. As of March 31, 2013, no amounts have been accrued.

Sodium Dichromate litigation. From December 2008 through September 2009, five cases were filed in various Federal District Courts against KBR by national guardsmen and other military personnel alleging exposure to sodium dichromate at the Qarmat Ali Water Treatment Plant in Iraq in 2003. After dismissals for lack of jurisdiction, the majority of the cases were re-filed and consolidated into two cases, with one pending in the U.S. District Court for the Southern District of Texas and one pending in the U.S. District Court for the District of Oregon. A new, single plaintiff case was filed on November 30, 2012 in the District of Oregon Eugene Division. Collectively, the suits represent approximately 170 individual plaintiffs all of which are current and former national guardsmen or British soldiers who claim they were exposed to sodium dichromate while providing security services or escorting KBR employees who were working at the water treatment plant, claim that the defendants knew or should have known
that the potentially toxic substance existed and posed a health hazard, and claim that the defendants negligently failed to protect the plaintiffs from exposure. The plaintiffs are claiming unspecified damages. The U.S. Army Corps of Engineers (“USACE”) was contractually obligated to provide a benign site free of war and environmental hazards before KBR’s commencement of work on the site. KBR notified the USACE within two days after discovering the potential sodium dichromate issue and took effective measures to remediate the site. KBR services provided to the USACE were under the direction and control of the military and therefore, KBR believes it has adequate defenses to these claims. KBR also has asserted the Political Question Doctrine and government contractor defenses. Additionally, the U.S. government and other studies on the effects of exposure to the sodium dichromate contamination at the water treatment plant have found no long term harm to the soldiers.

On August 16, 2012, the court in the case pending in the U.S. District Court for the Southern District of Texas Court denied KBR's motion to dismiss plaintiffs' claims. On August 29, 2012, the court certified its order for immediate appeal under 28 U.S.C. § 1292(b) to the United States Court of Appeals for the Fifth Circuit, and stayed proceedings in the District Court pending the appeal. On November 28, 2012, the Fifth Circuit granted KBR permission to appeal, and the appeal is underway. At this time we believe the likelihood that we would incur a loss related to this matter is remote. As of March 31, 2013, no amounts have been accrued.

In the Oregon case, the Court denied KBR's motion to dismiss, and thereafter denied our request to certify the ruling for immediate appeal to the Ninth Circuit Court of Appeals. On October 9, 2012, the case proceeded to trial on the merits and resulted in an adverse jury verdict against KBR. On November 2, 2012, a jury in the U.S. District Court for the District of Oregon issued a verdict in favor of the plaintiffs on their claims, and awarded them approximately $10 million in actual damages and $75 million in punitive damages. The potential financial impact is unknown until a final judgment is entered by the U.S. District Court for the District of Oregon, which may differ from the jury verdict. We filed post-verdict motions asking the court to overrule the verdict or order a new trial. Those motions were argued in late February 2013 and we do not yet have a ruling. We have also requested that the court allow us to appeal many legal issues to the Ninth Circuit Court of Appeals before additional trials are held. We have already filed proceedings to enforce our rights to reimbursement and payment pursuant to the Federal Acquisition Regulations under the Restore Iraqi Oil contract (“RIO contract”) with the U.S. Army Corp. of Engineers. Following the final judgment, our actions may include appealing the decision on the same grounds as have been recognized in the Electrocutation and the Burn pit matters. The timing of the final judgment and our ensuing actions are unknown at this time, and a jury verdict is not a final judgment in the case. At this time we believe the likelihood that we will ultimately incur a loss related to this matter is remote. As of March 31, 2013, no amounts have been accrued.

During the period of time since the first litigation was filed against us, we have incurred legal defense costs that we believe are reimbursable under the related customer contract. We have billed for these costs and we have filed claims to recover the associated costs incurred to date. On November 16, 2012, we filed a suit against the U.S. government in the U.S. COFC for denying indemnity in the sodium dichromate cases. The RIO contract required KBR personnel to begin work in Iraq as soon as the invasion began in March 2003. Due to KBR's inability to procure adequate insurance coverage for this work, the Secretary of the Army approved the inclusion of an indemnification provision in the RIO Contract pursuant to Public Law 85-804. The claim is for more than $15 million in legal fees KBR has incurred in defending these cases and for any judgment that is issued against KBR in the litigation. On December 21, 2012, we also sent the USACE RIO Contracting Officer a certified claim for $23 million in legal costs associated with all of the sodium dichromate cases. The contracting officer declined to issue a decision on the claim. Therefore on March 6, 2013, we filed this claim for $23 million in the COFC. The COFC granted our request to treat this claim as related to the previously mentioned, pending indemnity claim. The two COFC cases are assigned to the same judge and we expect the two cases will proceed together. Contemporaneously, in February 2013, we filed a second claim with the RIO contracting officer due to notification we received of underfunding of the RIO contract. The contracting officer has not issued a decision on this claim, but if the contracting officer denies this second claim as he has done previously, we intend to add it to the two claims already filed with the COFC.

**DOJ False Claims Act complaint - Containers.** In November 2012, the DOJ filed a complaint in the U.S. District Court for the Central District of Illinois in Rock Island, IL, related to our settlement of delay claims by our subcontractor, FKTC, in connection with FKTC's provision of living trailers for the bed down mission in Iraq in 2003-2004. The DOJ alleges that KBR knew that FKTC had submitted inflated costs; that KBR did not verify the costs; that FKTC had contractually assumed the risk for the costs which KBR submitted to the government; that KBR concealed information about FKTC's costs from the government; that KBR claimed that an adequate price analysis had been done when in fact one had not been done; and that KBR submitted false claims for reimbursement to the government in connection with FKTC's services during the bed down mission. Our contractual dispute with the Army over this settlement has been ongoing since 2005. We believe these sums were properly billed under our contract with the Army and are not prohibited under the LogCAP III contract, and we strongly contend that no fraud was committed. We have moved to transfer the case to the Eastern District of Virginia, because it is the proper venue and we are seeking as speedy a trial as possible. We will move to dismiss the complaint once the motion to transfer is decided. At this time, we believe the likelihood that we would incur a loss related to this matter is remote. As of March 31, 2013, no amounts have been accrued.
Other Matters

Claims. Included in receivables in our consolidated balance sheets are claims for costs incurred under various government contracts totaling $213 million at March 31, 2013, of which $103 million is included in “Accounts receivable” and $110 million is included in “Unbilled receivables on uncompleted contracts.” These claims relate to contracts where our costs have exceeded the customer’s funded value of the task order. The $103 million of claims included in Accounts receivable results primarily from de-obligated funding on certain task orders that were also subject to Form 1s relating to certain DCAA audit issues discussed above. We believe such disputed costs will be resolved in our favor at which time the customer will be required to obligate funds from appropriations for the year in which resolution occurs. The remaining claims balance of $110 million primarily represents costs for which incremental funding is pending in the normal course of business. The claims outstanding at March 31, 2013 are considered to be probable of collection and have been previously recognized as revenue.

Note 6. Other Commitments and Contingencies

Foreign Corrupt Practices Act (“FCPA”) investigations

In February 2009, KBR LLC, entered a guilty plea to violations of the FCPA in the United States District Court, Southern District of Texas, Houston Division (the “Court”), related to the Bonny Island investigation. The plea agreement reached with the DOJ resolved all criminal charges in the DOJ’s investigation and called for the payment of a criminal penalty of $402 million, of which Halliburton was obligated to pay $382 million under the terms of the Master Separation Agreement (“MSA”), while we were obligated to pay $20 million. In addition, we settled a civil enforcement action by the SEC which called for Halliburton and KBR, jointly and severally, to make payments totaling $177 million, which was paid by Halliburton pursuant to the indemnification under the MSA. We also agreed to a period of organizational probation, during which we retained a monitor who assessed our compliance with the plea agreement and evaluated our FCPA compliance program over a three year period that ended on February 17, 2012. At the end of the three year period the monitor certified that KBR’s current anti-corruption compliance program is appropriately designed and implemented to ensure compliance with the FCPA and other applicable anti-corruption laws.

In February 2011, M.W. Kellogg Limited (“MWKL”) reached a settlement with the U.K. Serious Fraud Office (“SFO”) in which the SFO accepted that MWKL was not party to any unlawful conduct and assessed a civil penalty of approximately $11 million including interest and reimbursement of certain costs of the investigation, which was paid during the first quarter of 2011. The settlement terms included a full release of all claims against MWKL, its current and former parent companies, subsidiaries and other related parties including their respective current or former officers, directors and employees with respect to the Bonny Island project. Due to the indemnity from Halliburton under the MSA, we received approximately $6 million from Halliburton in the second quarter of 2011.

On March 18, 2013, we received a letter from the African Development Bank Group (“ADBG”) stating that they are in the process of opening a formal investigation into corruption related to the Bonny Island project discussed above. In accordance with the indemnity clauses under the MSA, we notified Halliburton and they have responded that the matter does not fall within the scope of their indemnity. We disagree with Halliburton's position and have taken necessary actions to preserve our rights. We are working with the ADBG to resolve the issue. At this time because we only recently received the letter from the ADBG and are still in the process of evaluating the matter, it is not possible to determine the outcome, financial implications or possible debarment of one or more KBR related entities arising from this investigation.

PEMEX Arbitration

In 1997 and 1998, we entered into three contracts with PEMEX, the project owner, to build offshore platforms, pipelines and related structures in the Bay of Campeche, offshore Mexico. The three contracts were known as Engineering, Procurement and Construction (“EPC”) 1, EPC 22 and EPC 28. All three projects encountered significant schedule delays and increased costs due to problems with design work, late delivery and defects in equipment, increases in scope and other changes. PEMEX took possession of the offshore facilities of EPC 1 in March 2004 after having achieved oil production but prior to our completion of our scope of work pursuant to the contract.

We filed for arbitration with the International Chamber of Commerce (“ICC”) in 2004 claiming recovery of damages of approximately $323 million for the EPC 1 project. PEMEX subsequently filed counterclaims totaling $157 million. In December 2009, the ICC ruled in our favor, and we were awarded a total of approximately $351 million including legal and administrative recovery fees as well as interest. PEMEX was awarded approximately $6 million on counterclaims, plus interest on a portion of that sum. In connection with this award, we recognized a gain of $117 million net of tax in 2009. The arbitration award is legally binding and on November 2, 2010, we received a judgment in our favor in the U.S. District Court for the Southern District of New
York to recognize the award in the U.S. of approximately $356 million plus Mexican value added tax and interest thereon until paid. PEMEX initiated an appeal to the U.S. Court of Appeals for the Second Circuit and asked for a stay of the enforcement of the judgment while on appeal. The stay was granted, but PEMEX was required to post collateral of $395 million with the court registry. On February 16, 2012, the Second Circuit issued an order remanding the case to the District Court to consider if the decision of the Collegiate Court in Mexico, described below, would have affected the trial court’s ruling.

After remand to the District Court in New York, both parties filed briefs and hearings were conducted in May, July and September 2012 at which time the matter was put on informal stay and KBR was ordered to file suit in Mexican courts in order to determine if such remedies were, in fact, available. As requested by the District Court, we filed suit in Mexico on November 6, 2012 in the Tax and Administrative Court. On December 3, 2012, the Mexican Tax and Administrative Court decided not to admit the lawsuit, and the suit could not proceed. This result indicates that we do not have a remedy in Mexico where we can fully and fairly present our claims. Both parties informed the District Court of this outcome. In their communication with the District Court, PEMEX argued that we did not file suit in the correct Mexican court, and that we should be required to appeal the denial of admission of the Mexican suit or file suit in a different Mexican court. We strongly disagree with this conclusion. At the instruction of the of the trial court in New York, we met with PEMEX in Mexico on March 5, 2013, to discuss if we had any further remedy in Mexico. We were unable to reach any further agreement with PEMEX on this issue. The New York Federal Court Judge in the court where the enforcement action for the award is pending held a three day hearing April 10-12, 2013. The purpose of the hearing was to hear evidence about the Collegiate Court decision in Mexico which annulled the arbitration award and to hear evidence about whether we have a full and fair remedy in Mexico. At the conclusion of the hearing the judge took the matter under advisement.

Following the Second Circuit's order remanding the case to the District Court, PEMEX filed a motion seeking release of the collateral posted with the court registry and on January 17, 2013, the District Court granted PEMEX's motion. The District Court ruled that such bonds are intended to secure judgments until an appeal is final and since a determination is yet to be made on the mandate from the Second Circuit, there was no longer a justification for holding the collateral. We believe the ICC Award was proper and enforceable in U.S. courts or courts of other countries in which PEMEX has assets. However, an unfavorable ruling by the U.S trial court or courts in other jurisdictions could have a material adverse impact to our results of operations.

PEMEX attempted to nullify the award in Mexico which was rejected by the Mexican trial court in June 2010. PEMEX then filed an “amparo” action on the basis that its constitutional rights had been violated which was denied by the Mexican court in October 2010. PEMEX subsequently appealed the adverse decision with the Collegiate Court in Mexico on the grounds that the arbitration tribunal did not have jurisdiction and that the award violated the public order of Mexico. Although these arguments were presented in the initial nullification and amparo action, and were rejected in both cases, in September 2011, the Collegiate Court ruled that PEMEX, by administratively rescinding the contract in 2004, deprived the arbitration panel of jurisdiction thereby nullifying the arbitration award. The Collegiate Court's decision is contrary to the ruling received from the ICC as well as all other Mexican courts which have denied PEMEX’s repeated attempts to nullify the arbitration award. We also believe the Collegiate Court's decision is contrary to Mexican law governing contract arbitration. However, we do not expect the Collegiate Court's decision to affect the outcome of the U.S. appeal discussed above or our ability to ultimately collect the ICC arbitration award in the U.S. due to the significant assets of PEMEX in the U.S. The circumstances of this matter are unique and in the unlikely event we are not able to collect the arbitration award in the U.S., we will pursue other remedies including filing a North American Free Trade Agreement (“NAFTA”) arbitration to recover the award as an unlawful expropriation of assets by the government of Mexico and collection efforts in other jurisdictions.

We have recently instituted collection proceedings in Luxembourg on the ICC award. We asked the Luxembourg court to issue, and the court has issued, a seizure order on the assets of PEMEX with a number banks and financial institutions in Luxembourg that we believe may have assets subject to seizure. We have been notified that PEMEX assets have been seized, however under Luxembourg procedure, we will not find out the value of the seized assets until the proceeding is validated, which will take several months. We have also been notified that PEMEX is contesting the Luxembourg court order. We will pursue our remedies in the U.S., Luxembourg and any other jurisdiction that we determine have assets which can be used to pay the award.

During 2008, we were successful in litigating and collecting on valid international arbitration awards against PEMEX on the EPC 22 and EPC 28 projects. Additionally, PEMEX has sufficient assets in the U.S. which we believe we will be able to attach as a result of the recognition of the ICC arbitration award in the U.S. Although it is possible we could resolve and collect the amounts due from PEMEX in the next 12 months, we believe the timing of the collection of the award is uncertain and therefore, we have continued to classify the amount due from PEMEX as a long term receivable included in “Noncurrent unbilled receivable on uncompleted contracts” as of March 31, 2013. No adjustments have been made to our receivable balance since recognition of the initial award in 2009. Although we believe we will ultimately collect the award, our failure to do so could result in the write off of the receivable amount included in "Noncurrent unbilled receivable on uncompleted contracts.”
In connection with the EPC 1 project, we have approximately $80 million in outstanding performance bonds furnished to PEMEX when the project was awarded. The bonds were written by a Mexican bond company and backed by a U.S. insurance company which is indemnified by KBR. As a result of the ICC arbitration award in December 2009, the panel determined that KBR had performed on the project, and we believe recovery on the bonds by PEMEX was precluded by the ICC Award. PEMEX filed an action in Mexico in June 2010 against the Mexican bond company to collect the bonds even though the arbitration award determined the limited amounts to be paid to PEMEX on their counterclaims. In May 2011, the Mexican trial court ruled PEMEX could collect the bonds even though PEMEX at the time was unsuccessful in its attempts to nullify the arbitration award. The decision was immediately appealed by the bonding company, and PEMEX was not able to call the bonds while on appeal. In October 2011, we were officially notified that the appellate court ruled in favor of PEMEX, therefore allowing PEMEX to call the bonds. In December 2011, we and the Mexican bond company stayed payment of the bonds by filing a direct amparo action in the Mexican court, and we filed a bond to cover interest of approximately $28 million accruing during the pendency of our amparo action. During the third quarter of 2012, the Collegiate Court hearing the amparo action asked the lower court to review the proceedings. We filed a revision appeal with the Mexican Supreme Court, and in January 2013, this Court denied our amparo action, returning the case to the lower court with instructions to enter judgment in favor of PEMEX, allowing them to collect on the bonds. The judgment issued by the lower court contained an error, and the Mexican bonding company filed an amparo as a result of this error. PEMEX cannot collect on the bonds until this amparo case is heard. If the Mexican bonding company's amparo is denied, and PEMEX were to collect the bonds and any accrued interest, the U.S. insurance company would make payment to the Mexican bonding company. We would then be required to indemnify the U.S. insurance company. In the event the bonds were called, we would pursue collection of any sums paid in the enforcement action in the U.S. District Court for the Southern District of New York, the courts of Luxembourg, or by the filing of a NAFTA arbitration to recover the bonds as an unlawful expropriation of assets by the government of Mexico. We have not recorded any amounts related to the contingent payment of the performance bonds.

**Letters of credit, surety bonds and guarantees**

In connection with certain projects, we are required to provide letters of credit, surety bonds or guarantees to our customers. Letters of credit are provided to certain customers and counter-parties in the ordinary course of business as credit support for contractual performance guarantees, advanced payments received from customers and future funding commitments. We have approximately $2.2 billion in committed and uncommitted lines of credit to support the issuance of letters of credit and as of March 31, 2013, we have utilized $706 million of our present capacity under lines of credit. Surety bonds are also posted under the terms of certain contracts to guarantee our performance. The letters of credit outstanding included $212 million issued under our Credit Agreement and $494 million issued under uncommitted bank lines at March 31, 2013. Of the total letters of credit outstanding, $269 million relate to our joint venture operations. As the need arises, future projects will be supported by letters of credit issued under our Credit Agreement or other lines of credit arranged on a bilateral, syndicated or other basis.

**Note 7. Transactions with Former Parent**

In connection with our initial public offering in November 2006 and the separation of our business from Halliburton, we entered into various agreements, including, among others, a master separation agreement ("MSA"), transition services agreements and a tax sharing agreement. Pursuant to our MSA, we agreed to indemnify Halliburton for, among other matters, past, present and future liabilities related to our business and operations. We agreed to indemnify Halliburton for liabilities under various outstanding and certain additional credit support instruments relating to our businesses and for liabilities under litigation matters related to our business. Halliburton agreed to indemnify us for, among other things, liabilities unrelated to our business, for certain other agreed matters relating to the investigation of FCPA and related corruption allegations and the Barracuda-Caratinga project and for other litigation matters related to Halliburton’s business. Under the transition services agreements, Halliburton provided various interim corporate support services to us and we provided various interim corporate support services to Halliburton. The tax sharing agreement provides for certain allocations of U.S. income tax liabilities and other agreements between us and Halliburton with respect to tax matters.

During the fourth quarter of 2011, Halliburton provided notice and demanded payment for $256 million, an amount significantly greater than our accrued liability, that it alleges are owed by us under the tax sharing agreement for various other tax-related transactions pertaining to periods prior to our separation from Halliburton. We believe that the MSA precludes the filing of this claim, and we believe the amount demanded by Halliburton is invalid based on our assessment of Halliburton’s methodology for computing the claim and due to the time limits in the MSA. Our estimate of amounts due to Halliburton under the tax sharing agreement relates to income tax adjustments paid by Halliburton subsequent to our separation that were directly attributable to us, primarily for the years from 2001 through 2006. As of March 31, 2013, "Due to former parent, net" was $49 million. As a result of our consideration of the risks associated with this matter as well as discussions with outside counsel, we believe the probability that we will incur a loss in excess of this amount is remote. Based on advice from internal and external
legal counsel, we do not believe that Halliburton has a legal entitlement to payment of the amount in the demand. However, although we believe we have appropriately accrued for amounts potentially owed to Halliburton based on our interpretation of the tax sharing agreement, there may be changes to the amounts ultimately paid to or received from Halliburton under the tax sharing agreement upon final settlement. On July 3, 2012, KBR requested an arbitration panel be appointed to resolve certain intercompany issues arising under the master separation agreement in effect between the companies before issues in dispute under the tax sharing agreement were submitted to the designated “accounting referee” as provided for under the terms of the tax sharing agreement. We believe these intercompany issues were settled and released as a result of our separation from Halliburton in 2007. On July 10, 2012, Halliburton filed a complaint in Texas State Court seeking to compel resolution of all issues, including intercompany issues believed by KBR to be governed by the master separation agreement, under the tax sharing agreement. In October 2012, the Court denied Halliburton's request, and we moved forward with the selection of arbitrators to decide the intercompany issues. We are set for an arbitration hearing in May 2013. The remaining tax-related issues in dispute will be resolved by the "accounting referee" as provided for under the terms of the tax sharing agreement.

As of March 31, 2013, included in “Other assets” is an income tax receivable of approximately $22 million related to a foreign tax credit generated as a result of a final settlement we paid to a foreign taxing authority in 2011 for a disputed tax matter that arose prior to our separation from Halliburton. In order to claim the tax credit, we requested, and Halliburton agreed to and did file an amended U.S. Federal tax return for the period in which the disputed tax liability arose. However, Halliburton notified us that it does not intend to remit to us the refund received or to be received by Halliburton as a result of the amended return. KBR disputes Halliburton’s position on this matter and believes it has legal entitlement to the $22 million refund. We intend to vigorously pursue collection of this amount and certain other unrecored counterclaims.

As previously discussed in Note 6, on March 18, 2013, we received a letter from the African Development Bank Group (“ADBG”) stating that they are in the process of opening a formal investigation into corruption related to the Bonny Island project discussed above. In accordance with the indemnity clauses under the MSA, we notified Halliburton and they have responded that the matter does not fall within the scope of their indemnity. We disagree with Halliburton’s position and have taken necessary actions to preserve our rights. We are working with the ADBG to resolve the issue. At this time because we only recently received the letter from the ADBG and are still in the process of evaluating the matter, it is not possible to determine the outcome, financial implications or possible debarment of one or more KBR related entities arising from this investigation.

**Barracuda-Caratinga Project Arbitration**

In June 2000, we entered into a contract with Barracuda & Caratinga Leasing Company B.V. (“BCLC”), the project owner and claimant, to develop the Barracuda and Caratinga crude oilfields, which are located off the coast of Brazil. Petrobras is a contractual representative that controls the project owner. In November 2007, we executed a settlement agreement with the project owner to settle all outstanding project issues except for the bolts arbitration discussed below.

At Petrobras’ direction, we replaced certain bolts located on the subsea flowlines that failed through mid-November 2005, and we understand that additional bolts failed thereafter, which were replaced by Petrobras. These failed bolts were identified by Petrobras when it conducted inspections of the bolts. In March 2006, Petrobras notified us they submitted this matter to arbitration claiming $220 million plus interest for the cost of monitoring and replacing the defective stud bolts and, in addition, all of the costs and expenses of the arbitration including the cost of attorneys’ fees. The arbitration was conducted in New York under the guidelines of the United Nations Commission on International Trade Law (“UNCITRAL”).

In September 2011, the arbitration panel awarded the claimant approximately $193 million. The damages awarded were based on the panel’s estimate to replace all subsea bolts, including those that did not manifest breaks, as well as legal and other costs incurred by the claimant in the arbitration and interest thereon since the date of the award. The panel rejected our argument, and the case law relied upon by us, that we were only liable for bolts that were discovered to be broken prior to the expiration of the warranty period that ended on June 30, 2006.

In January 2013, Halliburton paid $219 million to the claimant and the matter is considered concluded. We believe the arbitration award payable to Petrobras will be deductible for tax purposes when paid and the indemnification payment will be treated by KBR for tax purposes as a contribution to capital and accordingly is not taxable. In 2011 and 2012, we recorded discrete tax benefits of $71 million and $8 million, respectively. At March 31, 2013, the current deferred tax balance is $79 million. We have reviewed this matter in light of the direct payment by Halliburton to BCLC and its public announcement that they have recorded a tax benefit related to this transaction. Based on advice from outside legal counsel, we have determined that it is more likely than not that we are the proper taxpayer to recognize this benefit although the underlying uncertainties with respect to the tax treatment of the transaction may ultimately lead to alternate outcomes.

**Note 8. Income Taxes**
Our effective tax rate was approximately 23% for the three months ended March 31, 2013 and 9% for the three months ended March 31, 2012. The adjusted effective tax rate excluding discrete items was approximately 28% for the three months ended March 31, 2013 and 27% for the three months ended March 31, 2012. The U.S. statutory tax rate for all periods was 35%. Our adjusted effective tax rate for the three months ended March 31, 2013 was lower than the U.S. statutory rate due to favorable tax rate differentials on foreign earnings, lower tax expense on foreign income from unconsolidated joint ventures and tax benefits from unincorporated joint ventures. The adjusted effective tax rate includes increases of 2% as a result of incremental income taxes on certain undistributed foreign earnings in Australia that were previously deemed to be permanently reinvested. In the first quarter of 2013, we recognized discrete net tax benefits of approximately $5 million including benefits primarily related to the recognition of previously unrecognized tax benefits related to tax positions taken in prior years.

Our adjusted effective tax rate for the three months ended March 31, 2012 was lower than the U.S. statutory rate due to favorable tax rate differentials on foreign earnings and lower tax expense on foreign income from unincorporated joint ventures. In the first quarter of 2012, we recognized discrete net tax benefits of approximately $20 million including benefits primarily related to deductions arising from an unconsolidated joint venture in Australia as well as the recognition of previously unrecognized tax benefits related to tax positions taken in prior years based on progress in resolving transfer pricing matters with certain taxing jurisdictions.

Note 9. Shareholders’ Equity

The following tables summarize our activity in shareholders’ equity:

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<thead>
<tr>
<th>Millions of dollars</th>
<th>Total</th>
<th>PIC</th>
<th>Retained Earnings</th>
<th>Treasury Stock</th>
<th>AOCL</th>
<th>NCI</th>
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<tbody>
<tr>
<td>Balance at December 31, 2012</td>
<td>$ 2,511</td>
<td>$ 2,049</td>
<td>$ 1,709</td>
<td>$ (606)</td>
<td>$ (610)</td>
<td>$ (31)</td>
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<td>Common stock issued upon exercise of stock options</td>
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<td>Repurchases of common stock</td>
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<td>Issuance of ESPP shares</td>
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<td>Distributions to noncontrolling interests</td>
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<td>(11)</td>
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<td>Net income</td>
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<tr>
<td>Other comprehensive income, net of tax</td>
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<td>—</td>
<td>(1)</td>
<td>—</td>
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<tr>
<td>Balance at March 31, 2013</td>
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<td>$ 1,797</td>
<td>$ (610)</td>
<td>$ (611)</td>
<td>$ (33)</td>
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<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>Total</th>
<th>PIC</th>
<th>Retained Earnings</th>
<th>Treasury Stock</th>
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<td>Share-based compensation</td>
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<tr>
<td>Common stock issued upon exercise of stock options</td>
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<td>Tax benefit increase related to share-based plans</td>
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<td>Dividends declared to shareholders</td>
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<td>(7)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Repurchases of common stock</td>
<td>(7)</td>
<td>—</td>
<td>—</td>
<td>(7)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Distributions to noncontrolling interests</td>
<td>(5)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(5)</td>
</tr>
<tr>
<td>Net income</td>
<td>98</td>
<td>—</td>
<td>91</td>
<td>—</td>
<td>—</td>
<td>7</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>8</td>
<td>—</td>
<td>—</td>
<td>7</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Balance at March 31, 2012</td>
<td>$ 2,538</td>
<td>$ 2,014</td>
<td>$ 1,691</td>
<td>$ (576)</td>
<td>$ (541)</td>
<td>$ (50)</td>
</tr>
</tbody>
</table>
### Changes in accumulated other comprehensive loss, net of tax, by component

<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>Accumulated CTA</th>
<th>Accumulated pension liability adjustments</th>
<th>Accumulated unrealized losses on derivatives</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2012</td>
<td>$ (88)</td>
<td>$ (521)</td>
<td>$ (1)</td>
<td>$ (610)</td>
</tr>
<tr>
<td>Other comprehensive income adjustments before reclassifications</td>
<td>(8)</td>
<td>—</td>
<td>(1)</td>
<td>(9)</td>
</tr>
<tr>
<td>Amounts reclassified from accumulated other comprehensive income</td>
<td>1</td>
<td>7</td>
<td>—</td>
<td>8</td>
</tr>
<tr>
<td>Balance at March 31, 2013</td>
<td>$ (95)</td>
<td>$ (514)</td>
<td>$ (2)</td>
<td>$ (611)</td>
</tr>
</tbody>
</table>

### Reclassifications out of accumulated other comprehensive loss, net of tax, by component

<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>March 31, 2013</th>
<th>Affected line item in the Condensed Consolidated Statements of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized CTA</td>
<td>1</td>
<td>Gain on disposition of assets</td>
</tr>
<tr>
<td>Tax expense</td>
<td>—</td>
<td>Income tax expense</td>
</tr>
<tr>
<td>Net CTA realized</td>
<td>1</td>
<td>Net of tax</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated pension liability adjustments</th>
<th>March 31, 2013</th>
<th>Affected line item in the Condensed Consolidated Statements of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of actuarial loss</td>
<td>9</td>
<td>See Note 1 below</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(2)</td>
<td>Income tax expense</td>
</tr>
<tr>
<td>Net pension liability adjustment realized</td>
<td>7</td>
<td>Net of tax</td>
</tr>
</tbody>
</table>

Note 1 - This item is included in the computation of net periodic pension cost (see Note 11).
Note 10. Equity Method Investments and Variable Interest Entities

We conduct some of our operations through joint ventures which are in partnership, corporate, undivided interest and other business forms and are principally accounted for using the equity method of accounting. Additionally, the majority of our joint ventures are also variable interest entities.

Related Party Transactions

We often participate in larger projects as a joint venture partner and provide services, which include engineering and construction management services, to the joint venture as a subcontractor. The amounts included in our revenue represent our share of the earnings from joint ventures and revenue from services provided directly to the joint ventures. As of March 31, 2013, our revenues included $59 million and our receivables included $31 million related to services we provided to our joint ventures.

Unconsolidated VIEs

The following is a summary of the significant variable interest entities in which we have a significant variable interest, but we are not the primary beneficiary:

<table>
<thead>
<tr>
<th>Unconsolidated VIEs</th>
<th>VIE Total assets</th>
<th>VIE Total liabilities</th>
<th>Maximum exposure to loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspire Defence project</td>
<td>$2,794</td>
<td>$2,735</td>
<td>$29</td>
</tr>
<tr>
<td>Inpex LNG project</td>
<td>$1,580</td>
<td>$1,453</td>
<td>$70</td>
</tr>
<tr>
<td>U.K. Road projects</td>
<td>$1,284</td>
<td>$1,428</td>
<td>$31</td>
</tr>
<tr>
<td>EBIC Ammonia project</td>
<td>$526</td>
<td>$237</td>
<td>$35</td>
</tr>
<tr>
<td>Fermoy Road project</td>
<td>$213</td>
<td>$238</td>
<td>$4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unconsolidated VIEs</th>
<th>Year ended December 31, 2012</th>
<th>VIE Total assets</th>
<th>VIE Total liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspire Defence project</td>
<td>$2,981</td>
<td>$2,926</td>
<td></td>
</tr>
<tr>
<td>Inpex LNG project</td>
<td>$1,417</td>
<td>$1,324</td>
<td></td>
</tr>
<tr>
<td>U.K. Road projects</td>
<td>$1,387</td>
<td>$1,539</td>
<td></td>
</tr>
<tr>
<td>EBIC Ammonia project</td>
<td>$675</td>
<td>$379</td>
<td></td>
</tr>
<tr>
<td>Fermoy Road project</td>
<td>$255</td>
<td>$253</td>
<td></td>
</tr>
</tbody>
</table>

Aspire Defence project. In April 2006, Aspire Defence, a joint venture between us, Carillion Plc. and two financial investors, was awarded a privately financed project contract by the U.K. MoD to upgrade and provide a range of services to the British Army’s garrisons at Aldershot and around Salisbury Plain in the United Kingdom. In addition to a package of ongoing services to be delivered over 35 years, the project includes a nine-year construction program to improve soldiers’ single living, technical and administrative accommodations, along with leisure and recreational facilities. Aspire Defence manages the existing properties and is responsible for design, refurbishment, construction and integration of new and modernized facilities. We indirectly own a 45% interest in Aspire Defence, the project company that is the holder of the 35-year concession contract. In addition, we own a 50% interest in each of two joint ventures that provide the construction and the related support services to Aspire Defence. As of March 31, 2013, our performance through the construction phase is supported by $20 million in letters of credit. Furthermore, our financial and performance guarantees are joint and several, subject to certain limitations, with our joint venture partners. The project is funded through equity and subordinated debt provided by the project sponsors and the issuance of publicly held senior bonds which are nonrecourse to us. The entities we hold an interest in are variable interest entities; however, we are not the primary beneficiary of these entities. We account for our interests in each of the entities using the equity method of accounting. Our maximum exposure to construction and operating joint venture losses is limited to our proportion of any amounts required to fund future losses incurred by those entities under their respective contracts with the project company. As of March 31, 2013, our assets and liabilities associated with our investment in this project, within our consolidated balance sheet, were $29 million and $2 million, respectively. The $27 million difference between our recorded liabilities and aggregate maximum exposure to loss was primarily related to our equity investments and other receivables in the project as of March 31, 2013.
Inpex LNG project. In January 2012, we signed an agreement to provide fixed-price and cost-reimbursable EPC services to construct the Inpex Ichthys Onshore LNG Export Facility in Darwin, Australia (“Inpex LNG project”). The project will be executed using two joint ventures in which we own a 30% equity interest. The investments are accounted for using the equity method of accounting. At March 31, 2013, our assets and liabilities associated with our investment in this project recorded in our condensed consolidated balance were $70 million and $0 million, respectively. The $70 million difference between our recorded liabilities and aggregate maximum exposure to loss was related to our equity investment and other receivables due from the entity as of March 31, 2013. The joint venture executes a project that has a lump sum component, and we have an exposure to losses if the project exceeds the lump sum component to the extent of our ownership percentage in the joint venture.

U.K. Road projects. We are involved in four privately financed projects, executed through joint ventures, to design, build, operate and maintain roadways for certain government agencies in the United Kingdom. We have a 25% ownership interest in each of these joint ventures and account for them using the equity method of accounting. The joint ventures have obtained financing through third parties that is nonrecourse to the joint venture partners. These joint ventures are variable interest entities; however, we are not the primary beneficiary. Our maximum exposure to loss represents our equity investments in these ventures.

EBIC Ammonia project. We have an investment in a development corporation that has an indirect interest in the Egypt Basic Industries Corporation (“EBIC”) ammonia plant project located in Egypt. We performed the engineering, procurement and construction (“EPC”) work for the project and completed our operations and maintenance services for the facility in the first half of 2012. We own 65% of this development corporation and consolidate it for financial reporting purposes. The development corporation owns a 25% ownership interest in a company that consolidates the ammonia plant which is considered a variable interest entity. The development corporation accounts for its investment in the company using the equity method of accounting. The variable interest entity is funded through debt and equity. Indebtedness of EBIC under its debt agreement is non-recourse to us. We are not the primary beneficiary of the variable interest entity. As of March 31, 2013, our assets and liabilities associated with our investment in this project, within our consolidated balance sheet, were $56 million and $2 million, respectively. The $33 million difference between our recorded liabilities and aggregate maximum exposure to loss was related to our investment balance and other receivables in the project as of March 31, 2013.

Fermoy Road project. We participate in a privately financed project executed through certain joint ventures formed to design, build, operate and maintain a toll road in southern Ireland. The joint ventures were funded through debt and were formed with minimal equity. These joint ventures are variable interest entities; however, we are not the primary beneficiary. We have up to a 25% ownership interest in the project’s joint ventures, and we are accounting for these interests using the equity method of accounting.

Consolidated VIEs

The following is a summary of the significant VIEs where we are the primary beneficiary:

### Consolidated VIEs

<table>
<thead>
<tr>
<th>VIE Total assets</th>
<th>VIE Total liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>$547</td>
<td>$598</td>
</tr>
<tr>
<td>$263</td>
<td>$300</td>
</tr>
<tr>
<td>$98</td>
<td>$100</td>
</tr>
</tbody>
</table>

**Gorgon LNG project.** We have a 30% ownership in an Australian joint venture which was awarded a contract by Chevron for cost-reimbursable FEED and EPC management (“EPCm”) services to construct a LNG plant. The joint venture is considered a VIE, and, because we are the primary beneficiary, we consolidate this joint venture for financial reporting purposes.

**Escravos Gas-to-Liquids (“GTL”) project.** During 2005, we formed a joint venture to engineer and construct a gas monetization facility. We own a 50% equity interest in the joint venture and determined that we are the primary beneficiary; accordingly, we have consolidated the joint venture for financial reporting purposes. There are no consolidated assets that collateralize the joint venture’s obligations. However, at March 31, 2013 and December 31, 2012, the joint venture had
approximately $118 million and $117 million of cash, respectively, which mainly relate to advanced billings in connection with the joint venture’s obligations under the EPC contract.

Fasttrax Limited project. In December 2001, the Fasttrax Joint Venture (the “JV”) was created to provide to the U.K. MoD a fleet of 92 new heavy equipment transporters (“HETs”) capable of carrying a 72-ton Challenger II tank. The JV owns, operates and maintains the HET fleet and provides heavy equipment transportation services to the British Army. The purchase of the assets was completed in 2004, and the operating and service contracts related to the assets extend through 2023. The JV’s entity structure includes a parent entity and its 100%-owned subsidiary, Fasttrax Ltd (the “SPV”). KBR and its partner own each 50% of the parent entity, which is considered a variable interest entity. We determined that we are the primary beneficiary of this project entity because we control the activities that most significantly impact economic performance of the entity. Therefore, we consolidate this VIE.

The JV’s purchase of the assets was funded through the issuance of several series guaranteed secured bonds totaling approximately £84.9 million issued by the SPV including £12.2 million which was replaced in 2005 when the shareholders funded combined equity and subordinated debt of approximately £12.2 million. Assets collateralizing the JV’s senior bonds include cash and equivalents of $24 million and property, plant and equipment of approximately $65 million, net of accumulated depreciation of $51 million as of March 31, 2013.

Note 11. Retirement Plans

The components of net periodic benefit cost related to pension benefits for the three months ended March 31, 2013 and 2012 were as follows:

<table>
<thead>
<tr>
<th>Components of net periodic benefit cost</th>
<th>United States</th>
<th>Int’l</th>
<th>United States</th>
<th>Int’l</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$ —</td>
<td>1</td>
<td>$ —</td>
<td>1</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1</td>
<td>22</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(1)</td>
<td>(22)</td>
<td>(1)</td>
<td>(23)</td>
</tr>
<tr>
<td>Recognized actuarial loss</td>
<td>—</td>
<td>8</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>$ —</td>
<td>8</td>
<td>$ 1</td>
<td>$ 4</td>
</tr>
</tbody>
</table>

For the three months ended March 31, 2013, we contributed approximately $7 million of the $24 million we currently expect to contribute to our international plans in 2013, and we have made no contributions towards the $1 million we currently expect to contribute to our domestic plans in 2013.

Note 12. Recent Accounting Pronouncements

On March 4, 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-05, Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. This ASU requires that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity, then the parent is required to release any related cumulative translation adjustment into net income. The cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, the partial sale guidance still applies. In the case of an equity method investment that is not a foreign entity, the cumulative translation adjustment is released into net income only if the partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment. Additionally, the amendments in this ASU clarify that the sale of an investment in a foreign entity includes both: (1) events that result in the loss of a controlling financial interest in a foreign entity (i.e., irrespective of any retained investment); and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events. The amendments in this ASU are effective prospectively for interim and annual reporting periods beginning after December 15, 2013. The adoption of ASU 2013-05 is not expected to have a material impact on our financial position, results of operations or cash flows.

On February 5, 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU requires that companies present information about reclassification adjustments from
accumulated other comprehensive income in their annual financial statements in a single note or on the face of the financial statements. ASU 2013-02 requires that companies present the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, companies would instead cross reference to the related footnote for additional information. This may be presented either in the notes or parenthetically on the face of the financial statements provided that all of the required information is presented in a single location. The requirements will take effect for public companies in interim and annual reporting periods beginning after December 15, 2012. We adopted ASU 2013-02 and have included the required disclosure in Note 9.
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The purpose of management’s discussion and analysis (“MD&A”) is to disclose material changes in our financial condition since the most recent fiscal year-end and results of operations during the current fiscal period as compared to the corresponding period of the preceding fiscal year. The MD&A should be read in conjunction with the condensed consolidated financial statements and accompanying notes and our 2012 Annual Report on Form 10-K.

Business Environment

**Hydrocarbon Markets.** We provide a full range of engineering, procurement and construction services for large and complex upstream and downstream projects, including LNG and GTL facilities, onshore and offshore oil and gas production facilities, refining, petrochemicals, biofuels and other projects throughout the world. Our projects are generally long term in nature and are impacted by factors including market conditions, financing arrangements, governmental approvals and environmental matters. Demand for our services depends primarily on our customers' capital expenditures in our market sectors.

Capital expenditures in our petroleum and petrochemical markets are driven by global and regional economic growth expectations reflected in a long global spending cycle. The spending cycle is moderated by fluctuations in crude oil prices and chemical feedstock costs including natural gas prices, and is also partially subject to volatility of financial markets. The hydrocarbons market in most international regions is improving from the downturn that occurred as a result of the worldwide economic recession. We now see long term growth in energy projects including demand for related licensed process technologies, offshore oil and gas production, LNG, biofuels, motor fuels, chemicals and fertilizers. Upstream and downstream investment plans are advancing in such resource rich areas as the Middle East, Brazil, North Sea and East and West Africa. LNG prospects continue to develop in the Asia-Pacific region, as well as in East Africa and North America as a result of the recent gas discoveries. Each of these trends lends to our particular capability to deliver large projects in remote locations and harsh environments.

Abundant shale gas supplies and resulting low prices in North America are driving renewed interest in petrochemical project investments. Feasibility studies and front-end engineering and design projects continue to grow, reflecting clients’ intentions to invest in capital intensive energy projects that utilize our process technologies and EPC project delivery skills.

Ongoing major projects for our Hydrocarbons business group, which we expect to significantly impact our results of operations, include the Ichthys and the Gorgon LNG projects. Work began on the Ichthys LNG project in 2012, and the project is expected to contribute significant revenues to the Gas Monetization business unit in 2013 and beyond. Major projects expected to be nearing completion in 2013 are the Escravos GTL and Skikda LNG projects. Both of these projects are not expected to continue to be major revenue and profit drivers in the future.

**Infrastructure, Government and Power Markets (“IGP”).** A significant portion of our IGP business group’s current activities supports the United States’ and the United Kingdom’s government operations in Iraq, Afghanistan and in other parts of the Middle East region. As a defense contractor, our financial performance is impacted by the allocation and prioritization of U.S. defense spending, including the effects of sequestration. The logistics support services we provide to the U.S. government are delivered under the LogCAP IV contract and other competitively bid contracts. As a result of withdrawal of U.S. combat troops in Iraq, we demobilized our operations under the LogCAP III contract, which effectively ended in December 2011, while continuing to support the U.S. Department of State's presence in Iraq under LogCAP IV. Although we expect the volume of services we provide to the U.S. and U.K. governments in the Middle East to continue to decline as troop counts are drawn down, we anticipate increased spending for logistics and infrastructure for these clients as troops and equipment return to home base. We also view increased infrastructure spending by Middle Eastern governments as a core opportunity.

We operate in diverse civil infrastructure markets, including transportation, water and waste treatment and facilities. In addition to U.S. state, local and federal agencies, we provide these services to governments around the world including the U.K., Australia and the Middle East. There has been a general trend of under-investment in public infrastructure, particularly related to the quality of water, wastewater, roads and transit, rail, airports and educational facilities, where demand for expanded and improved infrastructure has historically outpaced funding. We have seen increased activity related to these types of projects particularly in the Middle East; however, the global economic recession has caused markets to remain flat in the U.S. and the U.K., which has resulted in delays or slow start-ups to major projects.

In the industrial sector, we operate in a number of markets, including utility and non-utility power, forest products, advanced manufacturing, mining, minerals and metals and consumer products, both domestically and internationally. Forest products, advanced manufacturing and consumer products are experiencing modest market improvements. However, the mining, minerals and metals markets remain flat pending a pick-up in global demand for commodities. In the power sector, we serve regulated utilities, power cooperatives, municipalities and various non-regulated providers, primarily in the U.S. and U.K. markets. The
power sector continues to be driven by long-term economic and demographic trends and changes in environmental regulations. Projects in the power sector are currently concentrated in emissions control, repowering, renewable power and new gas-fired power generation.

Ongoing major projects for our IGP business group include the LogCAP IV and the Aspire Defence Services projects. The LogCAP IV project began in 2011, simultaneously with the completion and ramp-down of the LogCAP III project. Although smaller in scope than the LogCAP III project, we expect the LogCAP IV project to provide significant revenue to our IGP business group in 2013. The Aspire Defence project is an ongoing project to provide support to the United Kingdom MoD. We expect this project to continue to provide significant revenue streams to our IGP business group in 2013.

In the third quarter of 2012, during the course of our annual strategic planning process, we determined that both the actual and expected income and cash flows for our Minerals reporting unit were substantially lower than previous forecasts due to losses from ongoing projects acquired as part of the acquisition of Roberts & Schaefer. We also identified deterioration in economic conditions in the minerals markets and less than expected actual and projected income and cash flows for the Minerals reporting unit, which is part of our IGP segment. This resulted in a reduction of our forecasts of the sales, operating income and cash flows of our Minerals reporting unit expected in 2013 and beyond. Therefore, we performed an interim goodwill impairment test during the third quarter of 2012. As a result of our interim goodwill impairment test, we recorded a noncash goodwill impairment charge of $178 million in the third quarter of 2012, reducing the Minerals reporting unit's goodwill from its December 31, 2011 balance of $263 million to $85 million at September 30, 2012.

To arrive at the Minerals reporting unit's future cash flows, we used estimates of economic and market assumptions, including growth rates in revenues, costs and estimates of future expected changes in operating margins, tax rates and cash expenditures. Other significant estimates and assumptions include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements. We will continue to monitor conditions in the minerals market and its potential effects on the recoverability of the Minerals reporting unit assets. However, if market conditions materially change compared to our expectations, or if actual future results of operations fall below our projections, the remaining $85 million of the Minerals reporting unit goodwill could become further impaired in the future.

In our intangible assets discussion in Note 6 Goodwill and Intangible Assets to our Form 10-K for the year ended December 31, 2012, we disclosed that we performed an undiscounted cash flow analysis due to the triggering event identified in the Minerals reporting unit and did not identify any impairment of intangible assets. In addition, we evaluated the other long term assets consisting mainly of property, plant and equipment, which are insignificant to our Minerals reporting unit or our consolidated financial statements, and did not identify an impairment of those assets.

We provide a wide range of construction and maintenance services to a variety of industries in the U.S. and Canada, including forest products, power, commercial and institutional buildings, general industrial and manufacturing. Demand for industrial construction services is increasing markedly in Canada, while the commercial building market shows signs of improvement.

For a more detailed discussion of the results of operations for each of our business groups and business units, corporate general and administrative expense, income taxes and other items, see “Results of Operations” below.
Results of Operations

We analyze the financial results for each of our four business groups including the related business units within Hydrocarbons and IGP. The business groups presented are consistent with our reportable segments discussed in Note 4 to our condensed consolidated financial statements. While certain business units and product service lines presented below do not meet the criteria for reportable segments in accordance with ASC 280 - Segment Reporting, we believe this supplemental information is relevant and meaningful to our investors.

The following discussion includes business group income, a non-GAAP financial measure. Business group income is intended to enhance the usefulness of our financial information by providing measures which KBR management uses internally to evaluate performance on a comparable basis. On the Income (loss) by Business Group table below, we reconcile the non-GAAP total business group income to the most directly comparable financial measure presented in accordance with GAAP, which is total operating income. Business group income excludes unallocated corporate, general and administrative expenses and other non-operating income and expense items that are included in total operating income. Since business group income is not a measure of performance calculated in accordance with GAAP, it should not be considered in isolation of, or as a substitute for, total operating income as an indicator of operating performance. For purposes of reviewing the results of operations, business group income is calculated as revenue less cost of services managed and reported by the business group and are directly attributable to the business group.

<table>
<thead>
<tr>
<th>Revenue by Business Group</th>
<th>Three Months Ended March 31,</th>
<th>$</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Millions of dollars</strong></td>
<td>2013</td>
<td>2012</td>
<td>2013 vs. 2012</td>
</tr>
<tr>
<td><strong>Revenue: (1)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydrocarbons:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas Monetization</td>
<td>$605</td>
<td>$805</td>
<td>$(200) (25)%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>111</td>
<td>121</td>
<td>(10) (8)%</td>
</tr>
<tr>
<td>Downstream</td>
<td>178</td>
<td>141</td>
<td>37 26%</td>
</tr>
<tr>
<td>Technology</td>
<td>53</td>
<td>49</td>
<td>4 8%</td>
</tr>
<tr>
<td>Total Hydrocarbons</td>
<td>947</td>
<td>1,116</td>
<td>(169) (15)%</td>
</tr>
<tr>
<td>Infrastructure, Government and Power:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North American Government and Logistics</td>
<td>159</td>
<td>209</td>
<td>(50) (24)%</td>
</tr>
<tr>
<td>International Government, Defence and Support Services</td>
<td>74</td>
<td>98</td>
<td>(24) (24)%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>51</td>
<td>64</td>
<td>(13) (20)%</td>
</tr>
<tr>
<td>Minerals</td>
<td>38</td>
<td>63</td>
<td>(25) (40)%</td>
</tr>
<tr>
<td>Power and Industrial</td>
<td>85</td>
<td>84</td>
<td>1 1%</td>
</tr>
<tr>
<td>Total Infrastructure, Government and Power</td>
<td>407</td>
<td>518</td>
<td>(111) (21)%</td>
</tr>
<tr>
<td>Services</td>
<td>485</td>
<td>348</td>
<td>137 39%</td>
</tr>
<tr>
<td>Ventures</td>
<td>14</td>
<td>14</td>
<td>— —%</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>5</td>
<td>1 20%</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$1,859</td>
<td>$2,001</td>
<td>$(142) (7)%</td>
</tr>
</tbody>
</table>

(1) We often participate in larger projects as a joint venture partner and provide services to the joint venture as a subcontractor. The amount included in our revenue represents our share of the earnings (loss) from joint ventures and revenue from services provided to joint ventures.
### Income (loss) by Business Group

#### Three Months Ended March 31, 2013 vs. 2012

<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>2013</th>
<th>2012</th>
<th>$ vs. 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business group income:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hydrocarbons:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas Monetization</td>
<td>$104</td>
<td>$79</td>
<td>$25</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>25</td>
<td>23</td>
<td>2</td>
</tr>
<tr>
<td>Downstream</td>
<td>26</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Technology</td>
<td>25</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Total job income</td>
<td>180</td>
<td>136</td>
<td>44</td>
</tr>
<tr>
<td>Divisional overhead</td>
<td>(32)</td>
<td>(31)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Total Hydrocarbons</strong></td>
<td>148</td>
<td>105</td>
<td>43</td>
</tr>
<tr>
<td><strong>Infrastructure, Government and Power:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North American Government and Logistics</td>
<td>20</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>International Government, Defence and Support Services</td>
<td>22</td>
<td>36</td>
<td>(14)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>10</td>
<td>15</td>
<td>(5)</td>
</tr>
<tr>
<td>Minerals</td>
<td>3</td>
<td>(1)</td>
<td>4</td>
</tr>
<tr>
<td>Power and Industrial</td>
<td>8</td>
<td>10</td>
<td>(2)</td>
</tr>
<tr>
<td>Total job income</td>
<td>63</td>
<td>75</td>
<td>(12)</td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>—</td>
<td>2</td>
<td>(2)</td>
</tr>
<tr>
<td>Divisional overhead</td>
<td>(36)</td>
<td>(38)</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Infrastructure, Government and Power</strong></td>
<td>27</td>
<td>39</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Services:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job income</td>
<td>31</td>
<td>28</td>
<td>3</td>
</tr>
<tr>
<td>Divisional overhead</td>
<td>(13)</td>
<td>(16)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total Services</strong></td>
<td>18</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td><strong>Ventures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job income</td>
<td>8</td>
<td>8</td>
<td>—</td>
</tr>
<tr>
<td>Divisional overhead</td>
<td>(1)</td>
<td>(1)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Ventures</strong></td>
<td>7</td>
<td>7</td>
<td>—</td>
</tr>
<tr>
<td><strong>Other:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job income</td>
<td>3</td>
<td>4</td>
<td>(1)</td>
</tr>
<tr>
<td>Gain (loss) on sale of assets</td>
<td>(1)</td>
<td>2</td>
<td>(3)</td>
</tr>
<tr>
<td>Divisional overhead</td>
<td>(2)</td>
<td>(3)</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Other</strong></td>
<td>—</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Total business group income</strong></td>
<td>200</td>
<td>166</td>
<td>34</td>
</tr>
<tr>
<td><strong>Unallocated amounts:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor cost absorption income (expense)</td>
<td>(15)</td>
<td>1</td>
<td>(16)</td>
</tr>
<tr>
<td>Corporate general and administrative expense</td>
<td>(52)</td>
<td>(55)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td>$133</td>
<td>$112</td>
<td>$21</td>
</tr>
</tbody>
</table>

n/m - not meaningful
Hydrocarbons

Gas Monetization. Gas Monetization revenue decreased by $200 million in the first quarter of 2013 compared to the same period of the prior year, primarily driven by lower volume of work associated with project completions or near completions on the Espravos GTL and the Skikda LNG projects. The decrease in revenues is offset by increased activity on the Gorgon LNG project and the EPC phase of the Ichthys LNG project.

Gas Monetization job income increased by $25 million in the first quarter of 2013 compared to the same period of the prior year. Activity on the Gorgon, Ichthys and Skikda LNG projects, which included revisions in estimates of $38 million, contributed $42 million to this increase. This increase was partially offset by decreases of $17 million primarily due to lower activity and project completions on Pearl GTL and other projects.

Oil & Gas. Oil & Gas revenue decreased by $10 million and job income increased by $2 million in the first quarter of 2013 compared to the same period of the prior year. The decrease in revenue is primarily due to the completion or near-completion of several long term projects including a project in the North Sea. The impact from these project completions was offset by new projects awarded, as well as other long term technical service projects and increased progress on existing projects including a project in Azerbaijan. The increase in job income is primarily due to increased progress on new awards and for a project in Azerbaijan, partially offset by the completion or near completion of other projects.

Downstream. Downstream revenue and job income increased by $37 million and $12 million, respectively, in the first quarter of 2013 compared to the same period of the prior year. These increases are primarily due to increased activity on newly awarded and other existing projects in Uzbekistan, the Middle East and North America, partially offset by completions and near completions on projects in Africa and the Middle East.

Technology. Technology revenue and job income increased by $4 million and $5 million, respectively, in the first quarter of 2013 compared to the same period of the prior year. This increase is primarily due to the progress achieved on license and engineering projects in the U.S., Uzbekistan, Hungary, India, Bolivia, Nigeria and Indonesia which collectively contributed $19 million to revenues and $12 million to job income. Partially offsetting these increases were decreases in revenue and job income associated with the completion of engineering services on ammonia projects located in Brazil and Egypt, as well as other projects.

Infrastructure, Government and Power

North American Government and Logistics (“NAGL”). NAGL revenue decreased by $50 million in the first quarter of 2013 compared to the same period of the prior year, due to reduced activity under the LogCAP III and LogCAP IV contracts. This reduction is driven by the completion of operations in Iraq under the LogCAP III contract and base closures and headcount reductions under the LogCAP IV contract supporting the U.S. Military and Department of State in Iraq.

NAGL job income increased by $5 million in the first quarter of 2013 compared to the same period of the prior year, primarily due to award and base fees earned under the LogCAP III contract. Partially offsetting the increase was lower income related to the LogCAP IV contract.

International Government, Defence and Support Services (“IGDSS”). IGDSS revenue decreased by $24 million and job income decreased by $14 million in the first quarter of 2013 compared to the same period of the prior year, driven by lower activity on the Aspire Defence project and the completion of a U.K. MoD contract in Afghanistan, as well as reduced activity related to support services in Africa. These decreases were partially offset by new awards and a NATO contract in Afghanistan.

Infrastructure. Infrastructure revenue and job income decreased by $13 million and $5 million, respectively, in the first quarter of 2013 compared to the same period of the prior year. The decrease in revenue and job income is due to a decline in market conditions in the APAC market and the completion and near completion of several projects, partially offset by increased activity in the Middle East associated with the expansion of the Doha Expressway program.

Minerals. Minerals revenue decreased by $25 million in the first quarter of 2013 compared to the same period of the prior year due to lower volume of work and progress on existing projects. The general decline in economic conditions has delayed previously planned capital projects and consequently led to a decline in project awards.

Minerals job income increased by $4 million in the first quarter of 2013 compared to the same period of the prior year. The increase is primarily due to charges recognized in the first quarter of 2012 in our North American business stemming from increased costs to complete our legacy projects which did not recur in 2013.
Power and Industrial ("P&I"). P&I revenue increased by $1 million in the first quarter of 2013 compared to the same period of the prior year. The increase in revenue is due to increased progress on a waste-to-energy project in Florida and progress on air quality controls systems projects in Illinois and Kentucky. This increase was partially offset by substantial completion of a coal gasification project in Mississippi.

P&I job income decreased by $2 million in the first quarter of 2013 compared to the same period of the prior year, due to reduced activity for projects completed or nearing completion, including a coal gasification project in Mississippi. This decrease was partially offset by increased progress on a waste-to-energy project in Florida and an air quality controls systems project in Kentucky.

Services

Services revenue increased by $137 million in the first quarter of 2013 compared to the same period of the prior year. This increase is primarily driven by increases of $95 million in our Canada product line, $38 million in our U.S. Construction product line and $10 million in our Industrial Services and other product lines due to several new awards and increased activity on new and existing projects. The increased activity in our Canada product line is primarily related to construction services for gas plants in Northern British Columbia and turnaround services for an oil sands project in Alberta. The increase in our U.S. construction product line is primarily associated with the construction of a base oil facility and a gas plant expansion. These increases were partially offset by lower revenue of $6 million from our Building Group product line due to the completion of several large hospital and other projects.

Services job income increased by $3 million in the first quarter of 2013 compared to the same period of the prior year due to increased income from our Canadian product line related to construction services for gas plants in Northern British Columbia and module fabrication in Alberta. This increase is partially offset by lower job income in the U.S. Construction product line due to continued progress on several loss projects.

Ventures

Ventures operations consist of investments in joint ventures accounted for under the equity method of accounting, net of tax. Ventures revenue was $14 million and job income was $8 million in each of the first quarter of 2013 and 2012. Revenue and job income were impacted by a decline of $2 million on the EBIC ammonia plant in Egypt, related to continuing low gas feedstock pressure which we began experiencing in late 2012. This decrease was offset by marginal increases in revenue and job income on the other joint ventures within our Ventures business unit.
The Services business group provides construction management, direct hire construction and maintenance services to clients in a number of markets. We believe customer focus, attention to highly productive delivery and a diverse market presence are the keys to our success in delivering construction and maintenance services. Accordingly, the Services business group focuses on these key success factors. The analysis below is supplementally provided to present the revenue generated by Services based on the markets served, some of which are the same sectors served by our other business groups.

### Three Months Ended March 31, 2013

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Business Group Revenue</th>
<th>Services Revenue</th>
<th>Total Revenue by Market Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hydrocarbons:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas Monetization</td>
<td>$ 605</td>
<td>$ —</td>
<td>$ 605</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>111</td>
<td>130</td>
<td>241</td>
</tr>
<tr>
<td>Downstream</td>
<td>178</td>
<td>130</td>
<td>308</td>
</tr>
<tr>
<td>Technology</td>
<td>53</td>
<td></td>
<td>53</td>
</tr>
<tr>
<td><strong>Total Hydrocarbons</strong></td>
<td>947</td>
<td>260</td>
<td>1,207</td>
</tr>
<tr>
<td><strong>Infrastructure, Government and Power:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North American Government and Logistics</td>
<td>159</td>
<td>10</td>
<td>169</td>
</tr>
<tr>
<td>International Government, Defence and Support Services</td>
<td>74</td>
<td></td>
<td>74</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>51</td>
<td></td>
<td>51</td>
</tr>
<tr>
<td>Minerals</td>
<td>38</td>
<td></td>
<td>38</td>
</tr>
<tr>
<td>Power and Industrial</td>
<td>85</td>
<td>215</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total Infrastructure, Government and Power</strong></td>
<td>407</td>
<td>225</td>
<td>632</td>
</tr>
<tr>
<td>Services</td>
<td>485</td>
<td>(485)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>20</td>
<td></td>
<td>20</td>
</tr>
<tr>
<td><strong>Total KBR Revenue</strong></td>
<td>$ 1,859</td>
<td>$ —</td>
<td>$ 1,859</td>
</tr>
</tbody>
</table>

### Three Months Ended March 31, 2012

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>Business Group Revenue</th>
<th>Services Revenue</th>
<th>Total Revenue by Market Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hydrocarbons:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas Monetization</td>
<td>$ 805</td>
<td>$ —</td>
<td>$ 805</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>121</td>
<td>41</td>
<td>162</td>
</tr>
<tr>
<td>Downstream</td>
<td>141</td>
<td>85</td>
<td>226</td>
</tr>
<tr>
<td>Technology</td>
<td>49</td>
<td></td>
<td>49</td>
</tr>
<tr>
<td><strong>Total Hydrocarbons</strong></td>
<td>1,116</td>
<td>126</td>
<td>1,242</td>
</tr>
<tr>
<td><strong>Infrastructure, Government and Power:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North American Government and Logistics</td>
<td>209</td>
<td>13</td>
<td>222</td>
</tr>
<tr>
<td>International Government, Defence and Support Services</td>
<td>98</td>
<td></td>
<td>98</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>64</td>
<td></td>
<td>64</td>
</tr>
<tr>
<td>Minerals</td>
<td>63</td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>Power and Industrial</td>
<td>84</td>
<td>209</td>
<td>293</td>
</tr>
<tr>
<td><strong>Total Infrastructure, Government and Power</strong></td>
<td>518</td>
<td>222</td>
<td>740</td>
</tr>
<tr>
<td>Services</td>
<td>348</td>
<td>(348)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>19</td>
<td></td>
<td>19</td>
</tr>
<tr>
<td><strong>Total KBR Revenue</strong></td>
<td>$ 2,001</td>
<td>$ —</td>
<td>$ 2,001</td>
</tr>
</tbody>
</table>
Corporate, tax and other matters

Labor cost absorption income (expense) represents costs incurred by our central labor and resource groups net of the amounts charged to the operating business units. Labor cost absorption expense was $(15) million in the first quarter of 2013 compared to income of $1 million, a difference of $16 million over the same period of the prior year, primarily due to lower chargeable hours and utilization in several of our engineering offices as a result of delays in awards of certain expected projects.

General and administrative expense was $52 million in the first quarter of 2013 compared to $55 million in the first quarter of 2012. The decrease is primarily due to lower information technology support costs, lower legal costs and reductions associated with other cost containment measures. The decreases were partially offset by higher enterprise resource planning ("ERP") project expenses and tax consulting fees.

Net interest expense and interest income both remained flat, respectively, in the first quarter of 2013 compared to the same period of the prior year.

The effective tax rate was approximately 23% for the three months ended March 31, 2013 and 9% for the three months ended March 31, 2012. The adjusted effective tax rate excluding discrete items was approximately 28% for the three months ended March 31, 2013 and 27% for the three months ended March 31, 2012. The U.S. statutory tax rate for all periods was 35%. Our adjusted effective tax rate for the three months ended March 31, 2013 was lower than the U.S. statutory rate due to favorable tax rate differentials on foreign earnings, lower tax expense on foreign income from unconsolidated joint ventures and tax benefits from unincorporated joint ventures. The adjusted effective tax rate includes increases of 2% as a result of incremental income taxes on certain undistributed foreign earnings that were previously deemed to be permanently reinvested. In the first quarter of 2013, we recognized discrete net tax benefits of approximately $5 million including benefits primarily related to the recognition of previously unrecognized tax benefits related to tax positions taken in prior years.

Our adjusted effective tax rate for the three months ended March 31, 2012 was lower than the U.S. statutory rate due to favorable tax rate differentials on foreign earnings and lower tax expense on foreign income from unincorporated joint ventures. In the first quarter of 2012, we recognized discrete net tax benefits of approximately $20 million including benefits primarily related to deductions arising from an unconsolidated joint venture in Australia as well as the recognition of previously unrecognized tax benefits related to tax positions taken in prior years based on progress in resolving transfer pricing matters with certain taxing jurisdictions.

Net income attributable to noncontrolling interests was $9 million and $7 million in the first quarter of 2013 and 2012, respectively. The increase primarily resulted from higher income on an LNG project executed by a consolidated joint venture and a general engineering services joint venture.

Backlog

Backlog generally represents the dollar amount of revenue we expect to realize in the future as a result of performing work on contracts awarded to us. We generally include total expected revenue in backlog when a contract is awarded and/or the scope is definitized. In many instances, arrangements included in backlog are complex, nonrepetitive in nature and may fluctuate depending on estimated revenue and contract duration. Where contract duration is indefinite, projects included in backlog are limited to the estimated amount of expected revenue within the following twelve months. Certain contracts provide maximum dollar limits, with actual authorization to perform work under the contract agreed upon on a periodic basis with the customer. In these arrangements, only the amounts authorized are included in backlog. For projects where we act solely in a project management capacity, we only include our management fee revenue of each project in backlog. For certain long-term service contracts with a defined contract term, such as those associated with privately financed projects, the amount included in backlog is limited to five years.

For our projects related to unconsolidated joint ventures, we have included in the table below our percentage ownership of the joint venture’s estimated revenue in backlog. However, because these projects are accounted for under the equity method, only our share of future earnings from these projects will be recorded in our revenue. Our backlog for projects related to unconsolidated joint ventures totaled $5.5 billion at March 31, 2013 and $5.8 billion at December 31, 2012. We also consolidate joint ventures which are majority-owned and controlled or are variable interest entities in which we are the primary beneficiary. Our backlog included in the table below for projects related to consolidated joint ventures with noncontrolling interests includes 100% of the backlog associated with those joint ventures and totaled $2.3 billion at March 31, 2013 and $2.1 billion at December 31, 2012. All backlog is attributable to firm orders as of March 31, 2013 and December 31, 2012. Backlog attributable to unfunded government orders was $250 million at March 31, 2013 and $236 million as of December 31, 2012.
### Backlog

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>March 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hydrocarbons:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas Monetization</td>
<td>$7,425</td>
<td>$7,745</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>168</td>
<td>215</td>
</tr>
<tr>
<td>Downstream</td>
<td>691</td>
<td>740</td>
</tr>
<tr>
<td>Technology</td>
<td>392</td>
<td>399</td>
</tr>
<tr>
<td><strong>Total Hydrocarbons</strong></td>
<td>$8,676</td>
<td>$9,099</td>
</tr>
<tr>
<td><strong>Infrastructure, Government and Power:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North American Government and Logistics</td>
<td>559</td>
<td>645</td>
</tr>
<tr>
<td>International Government, Defence and Support Services</td>
<td>891</td>
<td>975</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>184</td>
<td>205</td>
</tr>
<tr>
<td>Minerals</td>
<td>107</td>
<td>131</td>
</tr>
<tr>
<td>Power and Industrial</td>
<td>793</td>
<td>868</td>
</tr>
<tr>
<td><strong>Total Infrastructure, Government and Power</strong></td>
<td>$2,534</td>
<td>$2,824</td>
</tr>
<tr>
<td>Services</td>
<td>2,068</td>
<td>2,025</td>
</tr>
<tr>
<td>Ventures</td>
<td>937</td>
<td>983</td>
</tr>
<tr>
<td><strong>Total backlog</strong></td>
<td>$14,215</td>
<td>$14,931</td>
</tr>
</tbody>
</table>

We estimate that as of March 31, 2013, 49% of our backlog will be executed within one year. As of March 31, 2013, 43% of our backlog was attributable to fixed-price contracts and 57% was attributable to cost-reimbursable contracts. For contracts that contain both fixed-price and cost-reimbursable components, we classify the components as either fixed-price or cost-reimbursable according to the composition of the contract except for smaller contracts where we characterize the entire contract based on the predominant component.

Hydrocarbons backlog decreased $423 million primarily due to $541 million of work performed on existing projects and was partially offset by new awards of $118 million primarily in our Downstream and Technology business units. IGP backlog decreased by $290 million primarily as a result of work performed on existing projects across all IGP business units. Services backlog increased $43 million due to new awards of $297 million primarily in our Building Group and Canada product lines and was partially offset by $254 million of work performed on various construction projects in the U.S. and Canada.

### Liquidity and Capital Resources

Cash and equivalents totaled $904 million at March 31, 2013 and $1.1 billion at December 31, 2012, which included $197 million and $201 million, respectively, of cash held by our joint ventures that we consolidate for accounting purposes. Joint venture cash balances are limited to joint venture activities and are not available for use on other projects, general cash needs or distributions to us without approval of the board of directors of the respective joint ventures. We expect to use joint venture cash for project costs and distribution of profits.

Cash generated from operations is our primary source of operating liquidity. Our cash balances are held in numerous locations throughout the world, the majority of which are outside of the U.S. Of the $707 million in non-joint venture cash and equivalents held at March 31, 2013, approximately $543 million is held in foreign subsidiaries. The remaining cash is non-joint venture domestic cash. Demands on our domestic cash have increased as a result of our strategic initiatives including business acquisitions, share repurchases and capital expenditures. We fund these initiatives through our existing cash and investment balances and internally generated cash. When appropriate, we may access offshore cash and equivalents. Where local regulations limit an efficient intercompany transfer of amounts held outside of the U.S., we will continue to utilize these funds for foreign activities primarily associated with project execution. We believe that internally generated cash flows are sufficient to support our day-to-day business operations, both domestically and internationally, for at least the next 12 months.

We generally do not provide U.S. federal and state income taxes on the accumulated but undistributed earnings of non-United States subsidiaries except for certain entities in Mexico and certain other joint ventures, as well as for a portion of our earnings from our operations in Australia. Taxes are provided as necessary with respect to earnings that are considered not permanently reinvested. Beginning in the second quarter of 2012, we provided for U.S. federal and state income taxes on 50% of the earnings of our Australian operations. We will continue to provide for U.S. federal and state taxes on this portion of the

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earnings of our Australian operations as we no longer intend to permanently reinvest these amounts. In determining whether the remaining 50% of our Australia earnings would be considered permanently reinvested, we considered our future non-US cash needs such as, 1) our anticipated international operations’ working capital requirements, including funding of our non-US pension plans; 2) the expected growth opportunities in our international markets, and; 3) our plans to capture strategic acquisition and investment opportunities in the international arena. For all other non-U.S. subsidiaries, no U.S. taxes are provided because such earnings are intended to be reinvested indefinitely to finance foreign activities. These accumulated but undistributed foreign earnings could be subject to additional tax if remitted, or deemed remitted, as a dividend. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable; however, the potential foreign tax credits associated with the deferred income would be available to reduce the resulting U.S. tax liabilities. As of March 31, 2013, foreign cash and equivalents that could be subject to additional U.S. income taxes and withholding taxes payable to the various foreign jurisdictions if remitted, or deemed remitted, as a dividend, excluding cash held by consolidated joint ventures, is estimated to be approximately $487 million.

Cash flow activities summary

<table>
<thead>
<tr>
<th>Millions of dollars</th>
<th>Three Months Ended March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Cash flows used in operating activities</td>
<td>$ (93)</td>
</tr>
<tr>
<td>Cash flows used in investing activities</td>
<td>(20)</td>
</tr>
<tr>
<td>Cash flows used in financing activities</td>
<td>(15)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash</td>
<td>(21)</td>
</tr>
<tr>
<td>Decrease in cash and equivalents</td>
<td>(149)</td>
</tr>
</tbody>
</table>

Operating activities. Cash used in operations totaled $93 million in the first quarter of 2013 and was driven by working capital uses related to the Services, Gas Monetization, Downstream and Minerals business units. In addition, we contributed approximately $7 million to our pension funds.

Cash used in operations totaled $107 million in the first quarter of 2012 and was driven primarily by the timing of working capital requirements on several large projects. In addition, we contributed approximately $8 million to our pension funds during the first quarter of 2012.

Investing activities. Cash used in investing activities in the first quarter of 2013 totaled $20 million which was primarily due to capital expenditures associated with information technology projects.

Cash used in investing activities in the first quarter of 2012 totaled $15 million which was primarily due to capital expenditures of $16 million associated with information technology projects and leasehold improvements.

Financing activities. Cash used in financing activities in the first quarter of 2013 totaled $15 million and included $6 million for the repurchase of common stock and $11 million for distributions to noncontrolling interests. The uses of cash were partially offset by $2 million of net proceeds from the issuance of stock.

Cash used in financing activities in the first quarter of 2012 totaled $15 million and included $7 million related to dividend payments to our shareholders, $7 million of payments to repurchase shares of our common stock and $5 million related to distributions to owners of noncontrolling interests in several of our consolidated joint ventures. These payments were partially offset by proceeds from the exercise of stock options.

Future sources of cash. Future sources of cash include cash flows from operations, including cash advances from our clients, cash derived from working capital management and advances under our Credit Agreement.

Future uses of cash. Future uses of cash will primarily relate to working capital requirements, capital expenditures and acquisitions. In addition, we will use cash to fund pension obligations, payments under operating leases, cash dividends, share repurchases and various other obligations as they arise. Our capital expenditures will be focused primarily on information technology, real estate, facilities and equipment.

Credit Agreement

On December 2, 2011, we entered into a $1 billion, five-year unsecured revolving credit agreement (the “Credit Agreement”) with a syndicate of international banks. The Credit Agreement expires in December 2016 and may be used for working capital,
the issuance of letters of credit and other general corporate purposes. Amounts drawn under the Credit Agreement will bear interest at variable rates, per annum, based either on (i) the London interbank offered rate ("LIBOR") plus an applicable margin of 1.50% to 1.75%, or (ii) a base rate plus an applicable margin of 0.50% to 0.75%, with the base rate equal to the highest of (a) reference bank’s publicly announced base rate, (b) the Federal Funds Rate plus 0.5%, or (c) LIBOR plus 1%. The amount of the applicable margin to be applied will be determined by the Company’s ratio of consolidated debt to consolidated EBITDA for the prior four fiscal quarters, as defined in the Credit Agreement. The Credit Agreement provides for fees on letters of credit issued under the Credit Agreement at a rate equal to the applicable margin for LIBOR-based loans, except for performance letters of credit, which are priced at 50% of such applicable margin. KBR pays an issuance fee of 0.15% of the face amount of a letter of credit. KBR also pays a commitment fee of 0.25%, per annum, on any unused portion of the commitment under the Credit Agreement. As of March 31, 2013, there were $212 million in letters of credit and no advances outstanding.

The Credit Agreement contains customary covenants which include financial covenants requiring maintenance of a ratio of consolidated debt to consolidated EBITDA not greater than 3.5 to 1 and a minimum consolidated net worth of $2 billion plus 50% of consolidated net income for each quarter beginning December 31, 2011 and 100% of any increase in shareholders’ equity attributable to the sale of equity interests. At March 31, 2013, we were in compliance with our financial covenants.

The Credit Agreement contains a number of other covenants restricting, among other things, our ability to incur additional liens and indebtedness, enter into asset sales, repurchase our equity shares and make certain types of investments. Our subsidiaries are restricted from incurring indebtedness, except if such indebtedness relates to purchase money obligations, capitalized leases, refinancing or renewals secured by liens upon or in property acquired, constructed or improved in an aggregate principal amount not to exceed $200 million at any time outstanding. Additionally, our subsidiaries may incur unsecured indebtedness not to exceed $200 million in aggregate outstanding principal amount at any time. We are also permitted to repurchase our equity shares, provided that no such repurchases shall be made from proceeds borrowed under the Credit Agreement, and that the aggregate purchase price and dividends paid after December 2, 2011, does not to exceed the Distribution Cap (equal to the sum of $750 million plus the lesser of (1) $400 million and (2) the amount received by us in connection with the arbitration and subsequent litigation of the PEMEX contracts as discussed in Note 6 to our condensed consolidated financial statements). At March 31, 2013, the remaining availability under the Distribution Cap was approximately $654 million.

Currently, we do not believe we have any significant exposure to the ongoing European debt crisis through our banking relationships. Although we maintain banking relationships with several U.K. and continental European banks, very few banks are located in the more economically distressed nations within the European Union, such as Greece, Ireland, Italy, Portugal or Spain.

**Nonrecourse project finance debt**

Fasttrax Limited, a joint venture in which we indirectly own a 50% equity interest with an unrelated partner, was awarded a contract in 2001 with the U.K. MoD to provide a fleet of 92 heavy equipment transporters ("HETs") to the British Army. Under the terms of the arrangement, Fasttrax Limited operates and maintains the HET fleet for a term of 22 years. The purchase of the HETs by the joint venture was financed through a series of bonds secured by the assets of Fasttrax Limited totaling approximately £84.9 million and are non-recourse to KBR and its partner including £12.2 million which was replaced when the shareholders funded combined equity and subordinated debt of approximately £12.2 million.

The guaranteed secured bonds were issued in two classes consisting of Class A 3.5% Index Linked Bonds in the amount of £56 million and Class B 5.9% Fixed Rate Bonds in the amount of £16.7 million. Payments on both classes of bonds commenced in March 2005 and are due in semi-annual installments over the term of the bonds which end in 2021. Subordinated notes payable to our 50% partner initially bear interest at 11.25% increasing to 16% over the term of the note through 2025. Payments on the subordinated debt commenced in March 2006 and are due in semi-annual installments over the term of the note.

The combined principal installments for both classes of bonds and subordinated notes, including inflation adjusted bond indexation, totals $10 million for years ended December 31, 2013 through 2015, $11 million for years ended December 31, 2016 through 2017 and $42 million thereafter. The secured bonds are an obligation of Fasttrax Limited and will never be a debt obligation of KBR because they are non-recourse to the joint venture partners. Accordingly, in the event of a default on the term loan, the lenders may only look to the resources of Fasttrax Limited for repayment. For additional information, see Note 10 of our condensed consolidated financial statements.
**Off-balance sheet arrangements**

**Letters of credit, surety bonds and guarantees.** In connection with certain projects, we are required to provide letters of credit, surety bonds or guarantees to our customers. Letters of credit are provided to certain customers and counter-parties in the ordinary course of business as credit support for contractual performance guarantees, advanced payments received from customers and future funding commitments. We have approximately $2.2 billion in committed and uncommitted lines of credit to support the issuance of letters of credit and as of March 31, 2013, we have utilized $706 million of our present capacity under lines of credit. Surety bonds are also posted under the terms of certain contracts to guarantee our performance. The letters of credit outstanding included $212 million issued under our Credit Agreement and $494 million issued under uncommitted bank lines at March 31, 2013. Of the total letters of credit outstanding, $269 million relate to our joint venture operations. As the need arises, future projects will be supported by letters of credit issued under our Credit Agreement or other lines of credit arranged on a bilateral, syndicated or other basis. We believe we have adequate letter of credit capacity under our Credit Agreement and bilateral lines of credit to support our operations for the next twelve months.

**Other factors affecting liquidity**

**Percentage-of-completion contracts claims.** As of March 31, 2013, claims were approximately $129 million and included claims associated with the reimbursable portion of an EPC contract to construct an LNG facility for which we have recognized additional contract revenue totaling $109 million. The claims on this project represent incremental subcontractor costs that we are legally entitled to recover from the customer under the terms of the EPC contract. If we are unable to settle the claim with the customer, we intend to pursue recovery through other dispute resolution procedures. The claims related to this EPC contract have been recorded as a current asset in "Unbilled receivables on uncompleted contracts."

**Government claims.** Included in receivables in our consolidated balance sheets are claims for costs incurred under various government contracts totaling $213 million at March 31, 2013, of which $103 million is included in “Accounts receivable” and $110 million is included in “Unbilled receivables on uncompleted contracts.” These claims relate to contracts where our costs have exceeded the customer’s funded value of the task order. The $103 million of claims included in Accounts receivable results primarily from de-obligated funding on certain task orders that were also subject to Form 1s relating to certain DCAA audit issues. We believe such disputed costs will be resolved in our favor at which time the customer will be required to obligate funds from appropriations for the year in which resolution occurs. The remaining claims balance of $110 million primarily represents costs for which incremental funding is pending in the normal course of business. The claims outstanding at March 31, 2013 are considered to be probable of collection and have been previously recognized as revenue.

**Liquidated damages.** Many of our engineering and construction contracts have milestone due dates that must be met or we may be subject to penalties for liquidated damages if claims are asserted and we were responsible for the delays. These generally relate to specified activities that must be met within a project by a set contractual date or achievement of a specified level of output or throughput of a plant we construct. Each contract defines the conditions under which a customer may make a claim for liquidated damages. However, in many instances, liquidated damages are not asserted by the customer, but the potential to do so is used in negotiating claims and closing out the contract.

Based upon our evaluation of our performance and other legal analysis, we have not accrued for possible liquidated damages related to several projects totaling $2 million at March 31, 2013 and $2 million at December 31, 2012, (including amounts related to our share of unconsolidated subsidiaries), that we could incur based upon completing the projects as currently forecasted.

**Transactions with Former Parent**

Information related to transactions with our former parent is described in Note 7 to the condensed consolidated financial statements.

**Legal Proceedings**

Information related to various commitments and contingencies is described in Notes 5 and 6 to the condensed consolidated financial statements.
Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial instrument market risk from changes in foreign currency exchange rates and interest rates. We selectively manage these exposures through the use of derivative instruments to mitigate our market risk from these exposures. The objective of our risk management is to protect our cash flows related to sales or purchases of goods or services from market fluctuations in currency rates. Our use of derivative instruments includes the following types of market risk:

- volatility of the currency rates;
- time horizon of the derivative instruments;
- market cycles; and
- the type of derivative instruments used.

We do not use derivative instruments for trading purposes. We do not consider any of these risk management activities to be material.

Item 4. Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities and Exchange Act of 1934 as amended (the “Exchange Act”), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2013 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

During the most recent fiscal quarter, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information related to various commitments and contingencies is described in Notes 5 and 6 to the condensed consolidated financial statements and in Managements’ Discussion and Analysis of Financial Condition and Results of Operations – Legal Proceedings and the information discussed therein is incorporated herein.

Item 1A. Risk Factors

We have updated certain risk factors affecting our business since those presented in our Annual Report on Form 10-K, Part I, Item 1A, for the fiscal year ended December 31, 2012. Except for the risk factors updated, there have been no material changes in our assessment of our risk factors from those set forth in our Annual Report on Form 10-K, which is incorporated herein by reference, for the year ended December 31, 2012. Our updated risk factors are included below.

A portion of our revenues is generated by large, recurring business from certain significant customers. A loss, cancellation or delay in projects by our customers in the future could negatively affect our revenues.

We provide services to a diverse customer base, including international and national oil and gas companies, independent refiners, petrochemical producers, fertilizer producers and domestic and foreign governments. Revenue from the United States government, which was derived almost entirely from our IGP business group, totaled $690 million, or 9% of consolidated revenue, in 2012, $2.2 billion, or 24% of consolidated revenue, in 2011, and $3.3 billion, or 32% of consolidated revenue, in 2010. Revenue from the Chevron Corporation, which was derived almost entirely from our Hydrocarbons business group, totaled $480 million, or 26% of consolidated revenue for the three months ended March 31, 2013, $2.3 billion, or 29% of consolidated revenue, in 2012, $2.0 billion, or 22% of consolidated revenue, in 2011, and $1.8 billion, or 18% of consolidated revenue, in 2010. No other customers represented 10% or more of consolidated revenues in any of the periods presented.
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) None.

(c) On August 26, 2011, KBR announced that its Board of Directors authorized a share repurchase program to repurchase up to 10 million of our outstanding common shares. The authorization does not specify an expiration date. The following is a summary of share repurchases of our common stock settled during the three months ended March 31, 2013. We also have a share maintenance program to repurchase shares based on vesting and other activity under our equity compensation plans. Shares purchased under "Employee transactions" in the table below reflects shares acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting of restricted stock units.

<table>
<thead>
<tr>
<th>Purchase Period</th>
<th>Total Number of Shares Purchased (2)</th>
<th>Average Price Paid per Share</th>
<th>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)</th>
<th>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2 – 31, 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchases</td>
<td>98,275</td>
<td>$29.12</td>
<td>—</td>
<td>7,584,764</td>
</tr>
<tr>
<td>Employee transactions</td>
<td>5,127</td>
<td>$29.60</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>February 1 – 28, 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchases</td>
<td>10,000</td>
<td>$29.98</td>
<td>—</td>
<td>7,584,764</td>
</tr>
<tr>
<td>Employee transactions</td>
<td>337</td>
<td>$31.46</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>March 1 – 28, 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchases</td>
<td>40,000</td>
<td>$31.28</td>
<td>—</td>
<td>7,584,764</td>
</tr>
<tr>
<td>Employee transactions</td>
<td>37,640</td>
<td>$30.61</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchases</td>
<td>148,275</td>
<td>$29.76</td>
<td>—</td>
<td>7,584,764</td>
</tr>
<tr>
<td>Employee transactions</td>
<td>43,104</td>
<td>$30.50</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

(1) Represents remaining common shares that may be repurchased pursuant to the August 26, 2011 announced share repurchase program.
(2) The difference between total number of shares purchased and total number of shares purchased as part of publicly announced plans or programs pertains to repurchases under our share maintenance program.

Item 3. Defaults Upon Senior Securities
None.

Item 4. Mine Safety Disclosures
None.

Item 5. Other Information
None.
## Item 6. Exhibits

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>KBR Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to KBR’s current report on Form 8-K filed June 7, 2012; Registration No. 333-133302)</td>
</tr>
<tr>
<td>3.2</td>
<td>Amended and Restated Bylaws of KBR, Inc. (incorporated by reference to Exhibit 99.1 Charter to KBR’s current report on Form 8-K filed January 23, 2012; File No. 1-33146)</td>
</tr>
<tr>
<td>4.1</td>
<td>Form of specimen KBR common stock certificate (incorporated by reference to Exhibit 4.1 to KBR’s registration statement on Form S-1; Registration No. 333-133302)</td>
</tr>
<tr>
<td>10.1*</td>
<td>Form of revised Nonstatutory Stock Option Agreement For US and Non-US Employees pursuant to KBR, Inc. 2006 Stock and Incentive Plan.</td>
</tr>
<tr>
<td>10.2*</td>
<td>Form of revised Restricted Stock Unit Agreement (U.S. Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan.</td>
</tr>
<tr>
<td>10.3*</td>
<td>Form of revised Restricted Stock Unit Agreement (Director) pursuant to KBR, Inc. 2006 Stock and Incentive Plan.</td>
</tr>
<tr>
<td>10.4*</td>
<td>Form of revised KBR Performance Award Agreement pursuant to KBR, Inc. 2006 Stock and Incentive Plan.</td>
</tr>
<tr>
<td>10.5*</td>
<td>Form of revised Restricted Stock Unit Agreement (International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan.</td>
</tr>
<tr>
<td>10.6</td>
<td>Severance and Change of Control by and between KBR Technical Services, Inc., a Delaware corporation, KBR, Inc., and Andrew Summers (incorporated by reference to Exhibit 10.1 to KBR’s current report on Form 8-K dated March 8, 2013; File No. 1-33146)</td>
</tr>
<tr>
<td>*31.1</td>
<td>Certification by Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a).</td>
</tr>
<tr>
<td>*31.2</td>
<td>Certification by Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a).</td>
</tr>
<tr>
<td>**32.1</td>
<td>Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</td>
</tr>
<tr>
<td>***101.INS</td>
<td>XBRL Instance Document</td>
</tr>
<tr>
<td>***101.SCH</td>
<td>XBRL Taxonomy Extension Schema Document</td>
</tr>
<tr>
<td>***101.CAL</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document</td>
</tr>
<tr>
<td>***101.DEF</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document</td>
</tr>
<tr>
<td>***101.LAB</td>
<td>XBRL Taxonomy Extension Labels Linkbase Document</td>
</tr>
<tr>
<td>***101.PRE</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document</td>
</tr>
<tr>
<td>*</td>
<td>Filed with this Form 10-Q</td>
</tr>
<tr>
<td>**</td>
<td>Furnished with this Form 10-Q</td>
</tr>
<tr>
<td>***</td>
<td>Submitted pursuant to Rule 405 and 406T of Regulation S-T.</td>
</tr>
</tbody>
</table>

* Management contracts or compensatory plans or arrangements
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KBR, INC.

/s/ Susan K. Carter
Susan K. Carter
Executive Vice President and Chief Financial Officer

/s/ Dennis S. Baldwin
Dennis S. Baldwin
Senior Vice President and Chief Accounting Officer

Date: April 25, 2013
FORM OF NONSTATUTORY STOCK OPTION AGREEMENT

FOR US AND NON-US EMPLOYEES

AGREEMENT by and between KBR, Inc., a Delaware corporation (the “Company”) and _____________ (“Employee”) made effective as of ____________________ (the “Grant Date”).

To carry out the purposes of the KBR, Inc. 2006 Stock and Incentive Plan, as amended and restated (the “Plan”), by affording Employee the opportunity to purchase shares of common stock of the Company (“Stock”), and in consideration of the mutual agreements and other matters set forth herein and in the Plan, the Company and Employee hereby agree to the following terms set forth herein. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

1. **Grant of Option.** The Company hereby irrevocably grants to Employee the right and option (“Option”) to purchase an aggregate of _______ shares of Stock at the option price indicated below, on the terms and conditions set forth herein and in the Plan, which is incorporated herein by reference as a part of this Agreement. This Option shall not be treated as an incentive stock option within the meaning of Section 422(b) of the U.S. Internal Revenue Code.

2. **Option Price.** The purchase price of Stock to be paid by Employee pursuant to the exercise of this Option shall equal the closing sale price per share for KBR, Inc. as reported in composite transactions for the New York Stock Exchange, Inc. on the Grant Date (the “Exercise Price”).

3. **Exercise of Option.** Subject to the earliest expiration of this Option as herein provided, this Option may be exercised by providing notice of exercise in the manner specified by the Company from time to time. Exercise of this Option must occur during the regular trading hours in which the Stock is traded on the New York Stock Exchange or other principal exchange on which the Stock is then traded. Except as otherwise provided below, this Option shall not be exercisable for more than a percentage of the aggregate number of shares of Stock offered by this Option determined by the number of full years from the Grant Date to the date of such exercise, in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Number of Full Years</th>
<th>Percentage of Stock That May Be Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>0%</td>
</tr>
<tr>
<td>1 year</td>
<td>33 ⅓%</td>
</tr>
<tr>
<td>2 years</td>
<td>66 ⅔%</td>
</tr>
<tr>
<td>3 years</td>
<td>100%</td>
</tr>
</tbody>
</table>

However, Company shall seek recovery of any benefits provided hereunder to Employee if such recovery is required by any clawback policy adopted by the Company, which may be amended from time to time, including, but not limited to, any clawback policy adopted to
satisfy the minimum clawback requirements adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the regulations thereunder or any other applicable law.

This Option is not transferable otherwise than by will or the laws of descent and distribution or pursuant to a “qualified domestic relations order” as defined by the U.S. Internal Revenue Code and may be exercised during Employee’s lifetime only by Employee, Employee’s guardian or legal representative or a transferee under a qualified domestic relations order. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this Option or of such rights contrary to the provisions hereof or in the Plan, or upon the levy of any attachment or similar process upon this Option or such rights, this Option and such rights shall immediately become null and void. This Option may be exercised only while Employee remains an employee of the Company, subject to the following exceptions:

(a) If Employee’s employment with the Company terminates by reason of disability (disability being defined as being physically or mentally incapable of performing either the Employee’s usual duties as an Employee or any other duties as an Employee that the Company reasonably makes available and such condition is likely to remain continuously and permanently, as determined by the Company or employing Subsidiary), this Option may be exercised in full by Employee (or Employee’s estate or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee) at any time during the period ending on the earlier of the Expiration Date (as defined below) or the third anniversary of the date of Employee’s termination of employment. Notwithstanding the foregoing, if Employee’s termination of employment by reason of disability occurs during the first six months following the Grant Date, this Option may be exercised in full at any time during the period ending on the earlier of the Expiration Date or the fourth anniversary of the date of Employee’s termination of employment.

(b) If Employee dies while in the employ of the Company, Employee’s estate, or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Employee, may exercise this Option in full at any time during the period ending on the earlier of the Expiration Date or the third anniversary of the date of Employee’s death. Notwithstanding the foregoing, if Employee dies during the first six months following the Grant Date, this Option may be exercised in full at any time during the period ending on the earlier of the Expiration Date or the fourth anniversary of the date of Employee’s termination of employment.

(c) If Employee’s employment with the Company terminates by reason of normal retirement at or after age 65, this Option may be exercised by Employee at any time during the period ending on the Expiration Date, but only as to the number of shares of Stock Employee was entitled to purchase on the date of such exercise in accordance with the schedule set forth above. In connection with the termination of Employee’s employment with the Company by reason of early retirement, applicable management of the Company and/or business unit/group may recommend to the Committee or its delegate, as applicable, that this Option be retained. In such event, the Committee or its delegate, as the case may be, shall consider such recommendation and may, in the Committee’s or such delegate’s sole discretion, approve the retention of this
Option following such early retirement, in which case the Option may be exercised by Employee at any time during the period ending on the Expiration Date, but only as to the number of shares of Stock Employee was entitled to purchase on the date of such exercise in accordance with the schedule set forth above. If, after retirement as set forth above, Employee should die, this Option may be exercised in full by Employee’s estate (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of the Employee) during the period ending on the earlier of the Expiration Date or the third anniversary of the date of Employee’s death.

Notwithstanding the foregoing, if the EU Employment Equality Directive (Directive 2000/78/EC) has been implemented in Employee's country of employment or residence or if the Company receives a legal opinion that there has been a legal judgment and/or legal development in Employee's jurisdiction that would likely result in the favorable retirement treatment that applies to this Option under the Plan being deemed unlawful and/or discriminatory, Employee shall not be entitled to exercise this Option at any time prior to the Expiration Date upon Employee’s attainment of age 65 while still employed by the Company. Instead, the Employee shall be entitled to exercise this Option at any time prior to the Expiration Date when Employee's employment is terminated for any reason with at least 15 years of service at the Company or employing Subsidiary subject, however, to this being considered nondiscriminatory by legal counsel and to the Committee's sole discretion to approve such extension of exercisability.

(d) If Employee’s employment with the Company terminates for any reason other than those set forth in subparagraphs (a) through (c) above, this Option may be exercised by Employee at any time during the period of 30 days following such termination, or by Employee’s estate (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of the Employee) during a period of six months following Employee’s death if Employee dies during such 30-day period, but in each case only as to the number of shares of Stock Employee was entitled to purchase hereunder upon exercise of this Option as of the date Employee’s employment so terminates.

This Option shall not be exercisable in any event prior to the expiration of six months from the date of grant hereof or after the expiration of ten years from the date of grant hereof (the “Expiration Date”) notwithstanding anything hereinabove contained. The purchase price of Stock as to which this Option is exercised shall be paid in full at the time of exercise in cash (in the form and manner prescribed by the Company). At Employee’s request or the request of another person entitled to exercise this Option, and to the extent permitted by applicable law, the Committee in its discretion may selectively approve “cashless exercise” arrangements with a brokerage firm under which such brokerage firm, on behalf of Employee or such other person exercising this Option, shall pay to the Company or its designee the Exercise Price of this Option or of the portion being exercised, and the Company or its designee, pursuant to an irrevocable notice from Employee or such other person exercising this Option, shall promptly deliver the shares being purchased to such firm. No fraction of a share of Stock shall be issued by the Company upon exercise of this Option or accepted by the Company in payment of the purchase price thereof; rather, Employee shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Stock. Unless and until a certificate or certificates representing such Stock shall have
been issued by the Company to Employee, Employee (or the person permitted to exercise this Option in the event of Employee’s death) shall not be or have any of the rights or privileges of a shareholder of the Company with respect to Stock acquirable upon an exercise of this Option.

4. **Withholding of Tax.** Employee acknowledges that, regardless of any action taken by the Company or, if different, Employee’s employer (“Employer”), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Employee’s participation in the Plan and legally applicable to Employee (“Tax-Related Items”), is and remains Employee’s responsibility and may exceed the amount actually withheld by the Company and/or the Employer. Employee further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Option, including but not limited to, the grant, vesting, exercise of this Option, the subsequent sale of shares of Stock acquired pursuant to such exercise and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of this Option to reduce or eliminate the Employee’s liability for Tax-Related Items or achieve any particular tax result. Further, if Employee is subjected to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, Employee agrees to pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, Employee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding from Employee’s wages or other cash compensation paid to Employee by the Company and/or the Employer; or

(b) withholding from proceeds of the sale of shares of Stock acquired upon exercise of this Option either through a voluntary sale or through a mandatory sale arranged by the Company (on Employee’s behalf pursuant to this authorization without further consent); or

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case Employee will receive a refund of any over-withheld amount in cash and will have no entitlement to the shares of Stock. If the obligation for Tax-Related Items is satisfied by withholding in shares of Stock, for tax purposes, Employee is deemed to have been issued the full number of shares of Stock subject to this Option, notwithstanding that a number of shares of Stock are held back solely for the purpose of paying the Tax-Related Items.
Finally, Employee agrees to pay to the Company or the Employer, including through withholding from Employee's wages or other cash compensation paid to Employee by Company and/or the Employer, any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Employee’s participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Stock or the proceeds of the sale of the shares of Stock, if Employee fails to comply with Employee’s obligations in connection with the Tax-Related Items.

5. **Status of Stock.** The Company shall not be obligated to issue any shares of Stock pursuant to any Option at any time, when the offering of the shares of Stock covered by such Option has not been registered under the U.S. Securities Act of 1933, as amended (the “Act”) and such other country, federal or state laws, rules or regulations as the Company deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration. The Company intends to use its best efforts to ensure that no such delay will occur. In the event exemption from registration under the Act is available upon an exercise of this Option, Employee (or the person permitted to exercise this Option in the event of Employee’s death or incapacity), if requested by the Company to do so, will execute and deliver to the Company in writing an agreement containing such provisions as the Company may require to ensure compliance with applicable U.S., state, local or foreign securities laws.

Employee agrees that the shares of Stock which Employee may acquire by exercising this Option will not be sold or otherwise disposed of in any manner which would constitute a violation of any applicable securities laws, whether federal, state, local or foreign. Employee also agrees (i) that the certificates representing the shares of Stock purchased under this Option may bear such legend or legends as the Company deems appropriate in order to ensure compliance with applicable securities laws, (ii) that the Company may refuse to register the transfer of the shares of Stock purchased under this Option on the stock transfer records of the Company if such proposed transfer would in the opinion of counsel satisfactory to the Company constitute a violation of any applicable securities law and (iii) that the Company may give related instructions to its transfer agent, if any, to stop registration of the transfer of the Stock purchased under this Option.
6. **Employment Relationship.** For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of the Company, a Parent Corporation or Subsidiary of the Company, or a corporation or a Parent Corporation or subsidiary of such corporation assuming or substituting a new option for this Option. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee or its delegate, as appropriate, and such determination shall be final.

7. **Data Privacy Notice and Consent.** Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Employee’s personal data as described in this Agreement and any other Option grant materials by and among, as applicable, Employee’s employer, the Company, and its Subsidiaries for the exclusive purpose of implementing, administering and managing Employee’s participation in the Plan.

Employee understands that the Company and the Employer may hold certain personal information about Employee, including, but not limited to, Employee’s name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Options or any other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in Employee’s favor, for the purpose of implementing, administering and managing the Plan (“Data”). Employee understands that Data will be transferred to Morgan Stanley Smith Barney or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Employee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient’s country (e.g., the United States) may have different data privacy laws and protections than Employee’s country. Employee understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting Employee’s local human resources representative. Employee authorizes the Company, Morgan Stanley Smith Barney and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering, and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form for the sole purpose of implementing, administering and managing Employee’s participation in the Plan. Employee understands that Data will be held only as long as is necessary to implement, administer and manage Employee’s participation in the Plan.

Employee understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Employee’s local human resources representative. Further, Employee understands that he or she is providing the consents herein on a purely voluntary basis. If Employee does not consent, or if Employee later seeks to revoke his or her consent, Employee's employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing Employee's consent is that the Company would not be able to grant Employee Options or other equity awards.
or administer or maintain such awards. Therefore, Employee understands that refusal or withdrawal of consent may affect Employee's ability to participate in the Plan. For more information on the consequences of Employee's refusal to consent or withdrawal of consent, Employee understands that Employee may contact Employee's local human resources representative.

8. **Nature of Grant.** By accepting the grant of this Option, the Employee acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of this Option is voluntary and occasional and does not create any contractual or other right to receive future awards of Options, or benefits in lieu Options even if Options have been awarded in the past;

(c) all decisions with respect to future Options or other grants, if any, will be at the sole discretion of the Company;

(c) the grant of Option and Employee’s participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any Subsidiary of the Company and shall not interfere with the ability of the Company, the Employer or any Subsidiary of the Company, as applicable, to terminate Employee’s employment relationship (if any);

(d) Employee’s participation in the Plan is voluntary;

(e) this Option and the shares of Stock subject to this Option not intended to replace any pension rights or compensation;

(f) this Option and the shares of Stock subject to this Option, and the income and value of same are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) the future value of the shares of Stock is unknown, indeterminable and cannot be predicted with certainty;

(h) no claim or entitlement to compensation or damages that arises from forfeiture of this Option resulting from Employee ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Employee is employed or the terms of Employee's employment agreement, if any), and in consideration of the grant of Option to which Employee is not otherwise entitled, Employee irrevocably agrees never to institute any claim against the Company, any of its Subsidiaries, or the Employer, waives Employee’s ability, if any, to bring such claim,
and releases the Company, its Subsidiaries and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Employee shall be deemed irrevocably to have agreed not to pursue such claim and agreed to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(i) in the event of termination of Employee’s employment or other services (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Employee is employed or the terms of Employee's employment agreement, if any), unless otherwise provided in this Agreement or determined by the Company, Employee’s right to vest in this Option under the Plan, if any, will terminate effective as of the date that Employee is no longer actively providing services and will not be extended by any notice period (e.g., active services would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where Employee is employed or the terms of Employee's employment agreement, if any); the Committee shall have the exclusive discretion to determine when Employee is no longer actively providing services for purposes of the Option (including whether Employee may still be considered to be providing services while on an approved leave of absence);

(j) unless otherwise provided in the Plan or by the company in its discretion, this Option and the benefits evidenced by this Agreement do not create any entitlement to have this Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(k) the following provisions apply only if Employee is providing services outside the United States: (i) the Option and the shares of Stock subject to the Option are not part of normal or expected compensation or salary for any purpose; and (ii) Employee acknowledges and agrees that neither the Company, the Employer nor any Subsidiary of the Company shall be liable for any foreign exchange rate fluctuation between Employee's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Employee pursuant to the exercise of the Option or the subsequent sale of any shares of Stock acquired upon exercise.

9. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Employee’s participation in the Plan, or Employee’s acquisition or sale of shares of Stock. Employee is hereby advised to consult with personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan.

10. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

11. **Compliance with Law.** Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other
legal requirement applicable to the Option, the Company shall not be required to deliver any payment from the payout of the Option prior to the completion of any registration or qualification of the shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("SEC") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval, the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the Stock with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for payout of the Option. Further, you agree that the Company shall have unilateral authority to amend the Plan and the Agreement without your consent to the extent necessary to comply with securities or other laws applicable to the Option or issuance of Stock.

12. **Governing Law and Venue.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, U.S.A., except to the extent that it implicates matters that are the subject of the General Corporation Law of the State of Delaware, which matters shall be governed by the latter law notwithstanding any conflicts of laws principles that may be applied or invoked directing the application of the laws of another jurisdiction. Exclusive venue for any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it or arising from it, or dispute resolution proceeding arising hereunder for any claim or dispute, the parties hereby submit to and consent to the sole and exclusive jurisdiction of Houston, Harris County, Texas, notwithstanding any conflicts of laws principles that may direct the jurisdiction of any other court, venue, or forum, including the jurisdiction of Employee’s home country.

13. **Language.** If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different from the English version, the English version will control.

14. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

15. **Severability.** If one or more of the provisions of this Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Agreement to be construed so as to foster the intent of this Agreement and the Plan.

16. **Addendum.** Notwithstanding any provision in this Agreement or the Plan to the contrary, this Option shall be subject to the special terms and provisions set forth in the Addendum to this Agreement for Employee’s country. Moreover, if Employee relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and
conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

17. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Employee’s participation in the Plan, on this Option and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

18. **Other Agreements.** The terms of this Agreement shall be subject to, and shall not modify, the terms and conditions of any employment, severance, and/or change-in-control agreement between the Company (or a Subsidiary) and Employee concerning equity-based awards.

19. **Waiver.** Employee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Employee or any other Employee.
IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officer thereunto duly authorized, and Employee has executed this Agreement, all as of the day and year first above written.

KBR, INC.

By: [Signature]

Employee
This Addendum includes special country-specific terms that apply to residents in countries listed below. This Addendum is part of the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

This Addendum also includes information regarding exchange controls and certain other issues of which Employee should be aware with respect to Employee’s participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of February 2013. Such laws are often complex, change frequently, certain individual exchange control reporting requirements may apply upon exercise of Employee’s Option and/or sale of Stock and results may be different based on the particular facts and circumstances. As a result, the Company strongly recommends that Employee does not rely on the information noted herein as the only source of information relating to the consequences of Employee’s participation in the Plan because the information may be out of date at the time Employee’s Option vests, the Employee exercises his or her Option or Employee sells shares of Stock acquired under the Plan.

In addition, the information is general in nature and may not apply to Employee’s particular situation, and the Company is not in a position to assure Employee of any particular result. Accordingly, Employee is advised to seek appropriate professional advice as to how the relevant laws in Employee’s country may apply to Employee’s situation.

If Employee is a citizen or resident of a country other than the country in which Employee is working, or if Employee transfers employment after the Options are granted to Employee, the information contained in this Addendum for the country Employee works in at the time of grant may not be applicable to Employee and the Company, in its discretion, determines to what extent the terms and conditions contained herein shall be applicable to Employee. If Employee transfers residency and/or employment to another country or is considered a resident of another country listed in the Addendum after the Option is granted to Employee, the terms and/or information contained for that new country (rather than the original grant country) may be applicable to Employee.
**ALGERIA**

**KBR, INC. 2006 STOCK AND INCENTIVE PLAN**

**Manner of Exercising Option.**

The following provision supplements paragraph 3 of the Agreement:

Due to regulatory requirements, Employee understands that Employee will be restricted to the cashless sell-all method of exercise. To complete a cashless sell-all exercise, Employee understands that Employee needs to instruct his or her broker to: (i) sell all of the shares of Stock issued upon exercise; (ii) use the proceeds to pay the Exercise Price, brokerage fees and any applicable Tax-Related Items; and (iii) remit the balance in cash to Employee. Employee will not be permitted to hold shares of Stock after exercise. Depending on the development of local laws or Employee’s country of residence, the Company reserves the right to modify the methods of exercising the Option and, in its sole discretion, to permit cash exercise, cashless sell-to cover exercise or any other method of exercise and payment of Tax-Related Items permitted under the Plan.

**Exchange Control Information.**

The cash proceeds from the cashless sell-all exercise must be repatriated to Algeria. Employee is advised to consult with his or her personal consultant to ensure compliance with any exchange control obligations arising from Employee’s participation in the Plan.
Manner of Exercising Option.

The following provision supplements paragraph 3 of the Agreement:

Due to regulatory requirements, Employee understands that Employee will be restricted to the cashless sell-all method of exercise. To complete a cashless sell-all exercise, Employee understands that Employee needs to instruct his or her broker to: (i) sell all of the shares of Stock issued upon exercise; (ii) use the proceeds to pay the Exercise Price, brokerage fees and any applicable Tax-Related Items; and (iii) remit the balance in cash to Employee. Employee will not be permitted to hold shares of Stock after exercise. Depending on the development of local laws or Employee’s country of residence, the Company reserves the right to modify the methods of exercising the Option and, in its sole discretion, to permit cash exercise, cashless sell-to cover exercise or any other method of exercise and payment of Tax-Related Items permitted under the Plan.

Exchange Control Information.

Employee may need to obtain prior approval from the Angolan central bank prior to opening a non-Angolan bank or brokerage account and receiving proceeds from the immediate sale of Stock into such account. In addition, proceeds from the cashless sell-all exercise must be repatriated to Angola. Employee is advised to consult with his or her personal consultant to ensure compliance with any exchange control obligations arising from Employee’s participation in the Plan.
AUSTRALIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

Exchange control reporting is required for cash transactions exceeding AUD10,000 and for international fund transfers. The Australian bank assisting with the transaction will file the report for Employee. If there is no Australian bank involved in the transfer, Employee will have to file the report.

Securities Law Information.

If Employee acquires Stock under the Plan and offers Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. Employee should obtain legal advice on disclosure obligations prior to making any such offer.

Right to Exercise.

Employee is not permitted to exercise a vested Option during any period during which the fair market value per share is equal to or less than the Exercise Price. Options may be exercised only starting on the business day following the first day on which the fair market value per share exceeds the Exercise Price.

In addition, the Option will automatically expire in the event the Option has not become exercisable pursuant to the preceding paragraph with six years and 11 months following the Grant Date.
AZERBAIJAN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

Stock to be issued when Employee exercises his or her Option shall be delivered to him or her through a bank or brokerage account in the U.S. Any disposition or sale of such Stock must take place outside Azerbaijan, which will be the case if the Stock is sold on the New York Stock Exchange on which the Stock is currently listed.
BRAZIL
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Compliance with Laws.

By accepting the Option, Employee agrees that he or she will comply with Brazilian law when he or she exercises the Option and sells Stock. Employee also agrees to report any and all taxes associated with the exercise of the Option, the sale of Stock acquired pursuant to the Plan and the receipt of any dividends.

Exchange Control Information.

Employee must prepare and submit a declaration of assets and rights held outside Brazil to the Central Bank on an annual basis if he or she holds assets or rights valued at more than US$100,000. The assets and rights that must be reported include Stock.
Form of Payment.

Notwithstanding anything in the Plan or the Agreement to the contrary, Employee is prohibited from surrendering certificates for shares of Stock that Employee already owns or from attesting to the ownership of shares of Stock to pay the Exercise Price or any Tax-Related Items in connection with Employee’s Option.

Termination of Employment.

The following provision supplements paragraph 3 of the Agreement:

In the event of Employee’s termination of employment for any reason (whether or not in breach of local labor laws), Employee’s right to vest in the Option will terminate effective as of the date that is the earlier of (1) the date Employee receives notice of termination of employment from the Employer, or (2) the date Employee is no longer actively providing service, regardless of any notice period or period of pay in lieu of such notice required under applicable laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when the Employee is no longer actively employed for purposes of the Option.

The following provisions shall apply if Employee is a resident of Quebec:

Data Privacy.

The following provision supplements paragraph 7 of the Agreement:

Employee hereby authorizes the Company and representatives of any Subsidiary to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. Employee further authorizes the Company and any Subsidiary and the Committee to disclose and discuss the Plan with their advisors. Employee further authorizes the Company and any Subsidiary to record such information and to keep such information in Employee’s file.

Language Consent.

The parties acknowledge that it is their express wish that the Agreement, including this Addendum, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention («Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.
The following provisions apply if Employee is subject to exchange control regulations in China, as determined by the Company in its sole discretion.

**Manner of Exercising Option.**

The following provision supplements paragraph 3 of the Agreement:

Due to regulatory requirements, Employee understands that Employee will be restricted to the cashless sell-all method of exercise. To complete a cashless sell-all exercise, Employee understands that Employee needs to instruct his or her broker to: (i) sell all of the shares of Stock issued upon exercise; (ii) use the proceeds to pay the Exercise Price, brokerage fees and any applicable Tax-Related Items; and (iii) remit the balance in cash to Employee. Employee will not be permitted to hold shares of Stock after exercise. Depending on the development of local laws or Employee’s country of residence, the Company reserves the right to modify the methods of exercising the Option and, in its sole discretion, to permit cash exercise, cashless sell-to-cover exercise or any other method of exercise and payment of Tax-Related Items permitted under the Plan.

Due to fluctuations in the Stock price and/or the U.S. Dollar/PRC exchange rate between the cashless sell-all exercise date and (if later) when the proceeds can be converted into local currency, the proceeds that Employee receives may be more or less than the market value of the Stock on the cashless sell-all exercise date (which is the amount relevant to determining Employee’s tax liability). Employee understands and agrees that the Company is not responsible for the amount of any loss he or she may incur and that the Company assumes no liability for any fluctuations in the Stock price and/or US dollar/PRC exchange rate.

**Exchange Control Information.**

Employee understands and agrees that to facilitate exchange control requirements, Employee will be required to immediately repatriate to China the cash proceeds from the cashless sell-all exercise of the Option. Employee further understands that, under local law, such repatriation of the cash proceeds may need to be effectuated through a special exchange control account established by the Company or its Subsidiaries, and Employee hereby consents and agrees that the proceeds from the cashless sell-all exercise acquired under the Plan may be transferred to such special account prior to being delivered to him or her. The Company may deliver the proceeds to Employee in U.S. dollars or local currency at the Company’s discretion. If the proceeds are paid in U.S. dollars, Employee understands that he or she will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are converted to local currency, there may be delays in delivering the proceeds to Employee and due to fluctuations in the Stock trading price and/or the U.S. dollar/PRC exchange rate between the exercise date and (if later) when the proceeds can be converted into local currency, the proceeds that Employee receives may be more or less than the market value of the Stock on the exercise date (which is the amount relevant to determining his or her tax liability). Employee agrees to bear any currency fluctuation risk between the time the cashless sell-all exercise date and the time the proceeds are distributed through...
any such special exchange account. Employee further agrees to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in China.
Cashless Sell-to-Cover Exercise Prohibited.

The following provision supplements Paragraph 3 of the Agreement:

Due to the exchange controls in India, Employee must either exercise the Option using cash or by using the cashless sell-all method of exercise. Employee may not exercise the Option using the cashless sell-to-cover method of exercise, whereby Employee sells only enough Stock to cover the Exercise Price. The Company reserves the right to provide additional methods of exercise to Employee depending on the development of local law.

Exchange Control Information.

It is Employee’s responsibility to comply with all exchange control laws in India. Employee must repatriate the proceeds from the sale of Stock and any dividends received in relation to the Stock and convert the proceeds into local currency within a reasonable timeframe (i.e., within 90 days of receipt). Employee will receive a foreign inward remittance certificate (“FIRC”) from the bank where Employee deposits the foreign currency. Employee should maintain the FIRC received from the bank as evidence of the repatriation of the funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation. It is Employee’s responsibility to comply with applicable exchange control laws in India.

Effective April 1, 2012, Employee is required to declare in his or her annual tax return (a) any foreign assets held by him or her or (b) any foreign bank accounts for which he or she has signing authority.
Manner of Exercising Option.

The following provision supplements paragraph 3 of the Agreement:

Due to regulatory requirements, Employee understands that Employee will be restricted to the cashless sell-all method of exercise. To complete a cashless sell-all exercise, Employee understands that Employee needs to instruct his or her broker to: (i) sell all of the shares of Stock issued upon exercise; (ii) use the proceeds to pay the Exercise Price, brokerage fees and any applicable Tax-Related Items; and (iii) remit the balance in cash to Employee. Employee will not be permitted to hold shares of Stock after exercise. Depending on the development of local laws or Employee’s country of residence, the Company reserves the right to modify the methods of exercising the Option and, in its sole discretion, to permit cash exercise, cashless sell-to cover exercise or any other method of exercise and payment of Tax-Related Items permitted under the Plan.

Exchange Control Information.

If Employee remits funds into or out of Indonesia, the Indonesian Bank through which the transaction is made will submit a report on the transaction to the Bank of Indonesia for statistical reporting purposes. For transactions of US$10,000 or more, a description of the transaction must be included in the report. Although the bank through with the transaction is made is required to make the report, Employee must complete a “Transfer Report Form.” The Transfer Report Form will be provided to Employee by the bank through which the transaction is to be made.
IRAQ
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

A-12
**Manner of Exercising Option.**

The following provision supplements paragraph 3 of the Agreement:

Due to regulatory requirements, Employee understands that Employee will be restricted to the cashless sell-all method of exercise. To complete a cashless sell-all exercise, Employee understands that Employee needs to instruct his or her broker to: (i) sell all of the shares of Stock issued upon exercise; (ii) use the proceeds to pay the Exercise Price, brokerage fees and any applicable Tax-Related Items; and (iii) remit the balance in cash to Employee. Employee will not be permitted to hold shares of Stock after exercise. Depending on the development of local laws or Employee’s country of residence, the Company reserves the right to modify the methods of exercising the Option and, in its sole discretion, to permit cash exercise, cashless sell-to cover exercise or any other method of exercise and payment of Tax-Related Items permitted under the Plan.

**Data Privacy Notice.**

This section replaces paragraph 7 of the Agreement.

Employee understands that the Employer, the Company and any Subsidiary may hold certain personal information about Employee, including, but not limited to, Employee’s name, home address and telephone number, date of birth, social insurance (to the extent permitted under Italian law) or other identification number, salary, nationality, job title, any Stock or directorships held in the Company or any Subsidiary, details of all Options or other entitlement to shares of Stock granted, awarded, canceled, exercised, vested, unvested or outstanding in Employee’s favor, for the exclusive purpose of implementing, managing and administering the Plan (“Data”).

Employee also understands that providing the Company with Data is necessary for the performance of the Plan and that Employee’s refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect Employee’s ability to participate in the Plan. The Controller of personal data processing is KBR Inc., with registered offices at 601 Jefferson Street, Suite 3400, Houston, Texas 77002, U.S.A, and, pursuant to Legislative Decree no. 196/2003, its representative in Italy is Kellogg Brown & Root Projects Limited, with registered offices at Deloitte & Touche, Via Tortona 25, Milan, Italy.

Employee understands that Data will not be publicized, but it may be transferred to banks, other financial institutions, or brokers involved in the management and administration of the Plan. Employee understands that Data may also be transferred to the Company’s stock plan service provider, Morgan Stanley Smith Barney, or such other administrator that may be engaged by the Company in the future. Employee further understands that the Company and/or any Subsidiary will transfer Data among themselves as necessary for the purpose of implementing, administering and managing Employee’s participation in the Plan, and that the Company and/or any Subsidiary may each further transfer Data to third parties assisting the Company in the implementation,
administration, and management of the Plan. Such recipients may receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing Employee’s participation in the Plan. Employee understands that these recipients may be located in or outside the European Economic Area, such as in the United States or elsewhere. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Data as soon as it has completed all the necessary legal obligations connected with the management and administration of the Plan.

Employee understands that Data-processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data is collected and with confidentiality and security provisions, as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require Employee’s consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration, and management of the Plan. Employee understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, Employee has the right to, including but not limited to, access, delete, update, correct, or terminate, for legitimate reason, the Data processing. Furthermore, Employee is aware that Data will not be used for direct marketing purposes. In addition, Data provided can be reviewed and questions or complaints can be addressed by contacting Employee’s local human resources representative.

**Plan Document Acknowledgment.**

In accepting the Option, Employee acknowledges that he or she has received a copy of the Plan and the Agreement and has reviewed the Plan and the Agreement, including this Addendum, in their entirety and fully understands and accepts all provisions of the Plan and the Agreement, including this Addendum. Employee further acknowledges that he or she has read and specifically and expressly approves the following Paragraphs of the Agreement: Paragraph 1: Grant of Option; Paragraph 3: Exercise of Option; Paragraph 4: Withholding of Tax; Paragraph 5: Status of Stock; Paragraph 6: Employment Relationship; Paragraph 8: Nature of Grant; Paragraph 9: No Advice Regarding Grant; Paragraph 12: Governing Law and Venue; Paragraph 14: Electronic Delivery and Acceptance; Paragraph 15: Severability; Paragraph 16: Addendum; Paragraph 17: Imposition of Other Requirements and the Data Privacy Notice in this Addendum.

**Additional Tax/Exchange Control Information.**

Employee is required to report the following on Employee’s annual tax return: (1) any transfers of cash or Stock to or from Italy exceeding €10,000, (2) any foreign investments or investments held outside of Italy at the end of the calendar year exceeding €10,000 if such investments (including vested in-the-money stock options, cash or shares) may result in income taxable in Italy (this will include reporting any vested in-the-money Options if their Exercise Price combined with other foreign assets exceed €10,000), and (3) the amount of the transfers made abroad or to or from abroad.
which have had an impact during the calendar year on Employee’s foreign investments or investments held outside of Italy. Under certain circumstances, Employee may be exempt from the requirement under (1) above if the transfer or investment is made through an authorized broker resident in Italy.

Starting from 2011, a tax on the value of financial assets held outside of Italy by Italian residents has been introduced. The tax will apply at an annual rate of 0.15% beginning in 2013. The taxable amount will be the fair market value of the financial assets, assessed at the end of the calendar year. For the purposes of the market value assessment, the documentation issued by the Plan broker may be used. In the absence of official interpretation on the new legislation, it is reasonable to maintain that the fair market value of Options is their intrinsic value (i.e., the difference between the fair market value of the Stock underlying the vested Options at the end of the year and the Exercise Price).
JAPAN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

If Employee intends to acquire shares of Stock whose value exceeds ¥30,000,000 in a single transaction, Employee must file a Payment Report with the Ministry of Finance. If Employee intends to acquire shares of Stock whose value exceeds ¥100,000,000 in a single transaction, Employee must file a Securities Acquisition Report, in addition to the Payment Report, with the Ministry of Finance through the Bank of Japan within 20 days of the purchase of the shares of Stock.

Offshore Assets Reporting Information.

Employee will be required to report details of any assets (including any Stock acquired under the Plan) held outside Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15th of the following year. Employee should consult with his or her personal tax advisor as to whether the reporting obligation applies to him or her and whether he or she will be required to report details of any outstanding Options or Stock held by him or her in the report.
**Exchange Control Information.**

If Employee is a resident of Kazakhstan, he or she will be required to notify the National Bank of Kazakhstan if the value of the Stock exercised exceeds US$100,000. Employee is responsible for complying with applicable exchange control regulations in Kazakhstan. As the exchange control regulations in Kazakhstan may change without notice, Employee should consult a legal advisor to ensure compliance with the regulations.
KOREA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information

If Employee remits funds out of Korea to purchase Stock, the remittance must be “confirmed” by a foreign exchange bank in Korea. This is an automatic procedure, *i.e.*, the bank does not need to “approve” the remittance, and it should take no more than a single day to process. The following supporting documents evidencing the nature of the remittance must be submitted to the bank together with the confirmation application: (i) the notice of grant; (ii) the Plan; (iii) a document evidencing the type of shares of Stock to be acquired and the amount (*e.g.*, the award certificate); and (iv) Employee’s certificate of employment. This confirmation is not necessary for cashless exercises since there is no remittance out of Korea.

Additionally, exchange control laws require Korean residents who realize US$500,000 or more from the sale of Stock or receipt of dividends in a single transaction to repatriate the proceeds to Korea within 18 months of receipt.
Acknowledgement of the Agreement.

In accepting the Option, Employee acknowledges that Employee has received a copy of the Plan, has reviewed the Plan and the Agreement in their entirety and fully understands and accepts all provisions of the Plan and the Agreement. Employee further acknowledges that Employee has read and specifically and expressly approves the terms and conditions of paragraph 8 of the Agreement, in which the following is clearly described and established:

1. Employee’s participation in the Plan does not constitute an acquired right.
2. The Plan and Employee’s participation in the Plan are offered by the Company on a wholly discretionary basis.
3. Employee’s participation in the Plan is voluntary.
4. The Company and its Subsidiaries are not responsible for any decrease in the value of the underlying shares of Stock.


In accepting the Option, Employee expressly recognizes that KBR, Inc., with registered offices at 601 Jefferson Street, Suite 3400, Houston, Texas 77002, U.S.A., is solely responsible for the administration of the Plan and that Employee’s participation in the Plan and acquisition of Stock does not constitute an employment relationship between Employee and KBR, Inc. since Employee is participating in the Plan on a wholly commercial basis and Employee’s sole employer is KBR in Mexico (“KBR-Mexico”), not KBR, Inc. in the U.S. Based on the foregoing, Employee expressly recognizes that the Plan and the benefits that Employee may derive from participation in the Plan do not establish any rights between Employee and Employee’s employer, KBR-Mexico, and do not form part of the employment conditions and/or benefits provided by KBR-Mexico and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Employee’s employment.

Employee further understands that Employee’s participation in the Plan is as a result of a unilateral and discretionary decision of KBR, Inc.; therefore, KBR, Inc. reserves the absolute right to amend and/or discontinue Employee’s participation at any time without any liability to Employee.

Finally, Employee hereby declares that Employee does not reserve to Employee any action or right to bring any claim against KBR, Inc. for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and Employee therefore grants a full and broad release to KBR, Inc., its Subsidiary, affiliates, branches, representation offices, its shareholders, officers, agents or legal representatives with respect to any claim that may arise.
Reconocimiento del Convenio.

Aceptando este la Opción, el Employeee (Employee) reconoce que ha recibido una copia del Plan, que lo ha revisado como así también el Convenio en su totalidad, y comprende y está de acuerdo con todas las disposiciones tanto del Plan como del Convenio. Asimismo, el Employeee reconoce que ha leído y específicamente y expresamente manifiesta la conformidad del Employeee con los términos y condiciones establecidos en la cláusula 8 de dicho Convenio, en el cual se establece claramente que:

1. La participación del Employeee en el Plan de ninguna manera constituye un derecho adquirido.

2. Que el Plan y la participación del Employeee en el mismo es una oferta por parte de KBR, Inc. de forma completamente discrecional.

3. Que la participación del Employeee en el Plan es voluntaria.

4. Que KBR, Inc. y sus Entidades Relacionadas no son responsables por cualquier pérdida en el valor de la Opción y/o Acciones otorgadas mediante el Plan.

Reconocimiento de Ausencia de Relación Laboral y Declaración de la Política.

Aceptando este la Opción, el Employeee reconoce que KBR, Inc. y sus oficinas registradas en 601 Jefferson Street, Suite 3400, Houston, Texas 77002, U.S.A., es el único responsable de la administración del Plan y que la participación del Employeee en el mismo y la adquisición de Acciones no constituye de ninguna manera una relación laboral entre el Employeee y KBR, Inc., toda vez que la participación del Employeee en el Plan deriva únicamente de una relación comercial con KBR, Inc., reconociendo expresamente que el único empleador del Employeee lo es KBR en Mexico (“KBR-Mexico”), no es KBR, Inc. en los Estados Unidos. Derivado de lo anterior, el Employeee expresamente reconoce que el Plan y los beneficios que pudieran derivar del mismo no establecen ningún derecho entre el Employeee y su empleador, KBR-México, y no forman parte de las condiciones laborales y/o prestaciones otorgadas por KBR-México, y expresamente el Employeee reconoce que cualquier modificación al Plan o la terminación del mismo de manera alguna podrá ser interpretada como una modificación de los condiciones de trabajo del Employeee.

Asimismo, el Employeee entiende que su participación en el Plan es resultado de la decisión unilateral y discrecional de KBR, Inc., por lo tanto, KBR, Inc. se reserva el derecho absoluto para modificar y/o terminar la participación del Employeee en cualquier momento, sin ninguna responsabilidad para el Employeee.

Finalmente, el Employeee manifiesta que no se reserva ninguna acción o derecho que origine una demanda en contra de KBR, Inc., por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivados del mismo, y en consecuencia el Employeee otorga un amplio y total finiquito a KBR, Inc., sus Entidades Relacionadas, afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales con respecto a cualquier demanda que pudiera surgir.

A-20
There are no country specific provisions.
QATAR
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

A-22
U.S. Transaction.

Employee understands that acceptance of the Option results in a contract between Employee and the Company completed in the United States and that the Agreement is governed by the laws of the State of Texas, without regard to choice of law principles thereof. Any shares of Stock to be issued upon exercise of the Option shall be delivered to Employee through a brokerage account in the U.S. Employee may hold the Stock in his or her brokerage account in the U.S.; however, in no event will the Stock issued to Employee under the Plan be delivered to Employee in Russia. Employee is not permitted to sell the Stock directly to other Russian legal entities or individuals.

Securities Law Information.

Employee acknowledges that the Agreement, the grant of the Option, the Plan and all other materials Employee may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. Absent any requirement under local law, the issuance of securities pursuant to the Plan has not and will not be registered in Russia and therefore, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia.

Exchange Control Information.

Within a reasonably short time after the sale of Stock, the cash proceeds must be initially credited to Employee through a foreign currency account at an authorized bank in Russia. After the cash proceeds are initially received in Russia, they may be further remitted to foreign banks subject to the following limitations: (i) the foreign account may be opened only for individuals; (ii) the foreign account may not be used for business activities; and (iii) the Russian tax authorities must be given notice about the opening/closing of each foreign account within one month of the account opening/closing. Employee is encouraged to contact his or her personal advisor before remitting proceeds from participation in the Plan to Russia, as exchange control requirements may change.

Data Privacy Notice and Consent.

Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Employee’s personal data as described in this Agreement and any other Option grant materials by and among, as applicable, Employee’s employer, the Company, and its Subsidiaries for the exclusive purpose of implementing, administering and managing Employee’s participation in the Plan.

Employee understands that the Company and the Employer may hold certain personal information about Employee, including, but not limited to, Employee’s name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Options or any
other entitlement to shares of Stock awarded, canceled, exercised, vested, unvested or outstanding in Employee’s favor, for the purpose of implementing, administering and managing the Plan (“Data”). Employee understands that Data will be transferred to Morgan Stanley Smith Barney or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Employee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient’s country (e.g., the United States) may have different data privacy laws and protections than Employee’s country. Employee understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the U.S. human resources representative/U.S. stock administration. Employee authorizes the Company, Morgan Stanley Smith Barney and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering, and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form for the sole purpose of implementing, administering and managing Employee’s participation in the Plan. Employee understands that Data will be held only as long as is necessary to implement, administer and manage Employee’s participation in the Plan.

Employee understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the U.S. human resources representative/U.S. stock administration. Further, Employee understands that he or she is providing the consents herein on a purely voluntary basis. If Employee does not consent, or if Employee later seeks to revoke his or her consent, Employee's employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing Employee's consent is that the Company would not be able to grant Employee Options or other equity awards or administer or maintain such awards. Therefore, Employee understands that refusal or withdrawal of consent may affect Employee’s ability to participate in the Plan. For more information on the consequences of Employee’s refusal to consent or withdrawal of consent, Employee understands that Employee may contact the U.S. human resources representative/U.S. stock administration.
SAUDI ARABIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.
This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of
Securities Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly
disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective
purchasers of securities hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If
Employee does not understand the contents of this document, Employee should consult his or her own advisor or an authorized financial
advisor.

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SINGAPORE
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

The Option grant is being made in reliance of section 273(1)(f) of the Securities and Futures Act (Chap. 289) (“SFA”) for which it is exempt from the prospectus and registration requirements under the SFA. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Employee should note that the Options are subject to section 257 of the SFA and Employee will not be able to make (i) any subsequent sale of the Stock in Singapore or (ii) any offer of such subsequent sale of the Stock subject to the Options in Singapore, unless such sale or offer in is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

Director Notification Information.

If Employee is a director of a Singapore Subsidiary, Employee must notify the Singapore Subsidiary in writing within two business days of Employee receiving or disposing of an interest (e.g., Option, Stock) in the Company or any Subsidiary or within two business days of Employee becoming a director if such an interest exists at the time. This notification requirement also applies to an associate director of the Singapore Subsidiary and to a shadow director of the Singapore Subsidiary (i.e., an individual who is not on the board of directors of the Singapore Subsidiary but who has sufficient control so that the board of directors of the Singapore Subsidiary acts in accordance with the “directions and instructions” of the individual).

Insider Trading Information.

Employee should be aware of the Singapore insider trading rules, which may impact the acquisition or disposal of Stock or rights to Stock under the Plan. Under the Singapore insider trading rules, Employee is prohibited from acquiring or selling Stock or rights to Stock (e.g., Option under the Plan) when Employee is in possession of information which is not generally available and which Employee knows or should know will have a material effect on the price of Stock once such information is generally available.
SOUTH AFRICA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Tax Withholding Notification.

By Employee’s acceptance of the Option and the Agreement, Employee agrees to notify his or her Employer of the amount of Employee’s gain at exercise. Once the notification is made, Employee’s Employer will obtain a directive from the South African Revenue Service as to the correct amount of tax to be withheld. If Employee fails to advise Employee’s employer of any gain Employee receives, Employee may be liable for a fine. Employee will be responsible for paying any difference between the actual tax liability and the amount withheld.

Tax Clearance Certificate for Cash Exercises.

If Employee exercises the Option using a cash exercise method, Employee must obtain and provide to the Employer, or any third designated by the Employer or the Company, a Tax Clearance Certificate (with respect to Foreign Investments) bearing the official stamp and signature of the Exchange Control Department of the South African Revenue Service (“SARS”). Employee must renew this Tax Clearance Certificate every twelve months, or such other period as may be required by the SARS. If Employee exercises by a cashless exercise method whereby no funds are remitted out of South Africa, no Tax Clearance Certificate is required.

Exchange Control Information.

Employee is solely responsible for complying with applicable South African exchange control regulations. Because the exchange control regulations change frequently and without notice, Employee should consult Employee’s legal advisor prior to the acquisition or sale of Stock under the Plan to ensure compliance with current regulations. It is Employee’s responsibility to comply with South African exchange control laws, and neither the Company nor the Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.
SWEDEN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

A-28
Exchange Control Information.

Employee may remit funds out of Thailand up to US$1,000,000 per year to purchase shares of Stock (and otherwise invest in securities abroad) by submitting an application to an authorized agent, (i.e., a commercial bank authorized by the Bank of Thailand to engage in the purchase, exchange and withdrawal of foreign currency). The application includes the Foreign Exchange Transaction Form, a letter describing the Option, a copy of the Plan and related documents, and evidence showing the nexus between the Company and the Employer.

If Employee exercises his or her Option using a cashless method of exercise, Employee will not need to make submit an application to a commercial bank.

If proceeds from the sale of Stock or the receipt of dividends are equal to or greater than US$50,000 or more in a single transaction, Employee must repatriate the proceeds to Thailand immediately upon receipt and convert the funds to Thai Baht or deposit the proceeds in a foreign currency deposit account maintained by a bank in Thailand within 360 days of remitting the proceeds to Thailand. In addition, Employee must report the inward remittance to the Bank of Thailand on a foreign exchange transaction form. If Employee fails to comply with these obligations, he or she may be subject to penalties assessed by the Bank of Thailand. Because exchange control regulations change frequently and without notice, Employee should consult his or her personal advisor before selling Stock to ensure compliance with current regulations. Employee is responsible for ensuring compliance with all exchange control laws in Thailand and neither the Company nor any of its Subsidiaries will be liable for any fines or penalties resulting from his or her failure to comply with applicable laws.
Securities Law Information.

The Plan is only being offered to qualified Employees and is in the nature of providing equity incentives to employees of the Company’s affiliate in the UAE. Any documents related to the Plan, including the Plan, Plan prospectus and other grant documents ("Plan Documents"), are intended for distribution only to such Employees and must not be delivered to, or relied on by, any other person. Prospective stockholders should conduct their own due diligence on the securities. If Employee does not understand the contents of the Plan Documents, Employee should consult an authorized financial adviser.

The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any Plan Documents nor taken steps to verify the information set out in them, and thus, are not responsible for such documents.
Withholding of Taxes.

The following section supplements paragraph 4 of the Agreement.

Notwithstanding paragraph 4 of the Agreement, Employee agrees that if he or she does not pay or the Employer or the Company does not withhold from Employee the full amount of Tax-Related Items that Employee owes due to the exercise of the Option, or the release or assignment of the Option for consideration, or the receipt of any other benefit in connection with the Option (the “Taxable Event”) within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount of income tax that should have been withheld shall constitute a loan owed by Employee to the Employer, effective 90 days after the Taxable Event. Employee agrees that the loan will bear interest at Her Majesty’s Revenue & Customs (“HMRC”) official rate and will be immediately due and repayable by Employee, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to Employee by the Employer, by withholding in shares of Stock issued upon exercise of the Option or from the cash proceeds from the sale of shares of Stock or by demanding cash or a cheque from Employee. Employee also authorizes the Company to delay the issuance of any shares of Stock to Employee unless and until the loan is repaid in full.

Notwithstanding the foregoing, if Employee is an officer or executive director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that Employee is an officer or executive director and the amount necessary to satisfy Tax-Related Items is not collected from or paid by Employee within 90 days of the Taxable Event, any uncollected amounts of income tax may constitute a benefit to Employee on which additional income tax and national insurance contributions may be payable. Employee acknowledges that the Company or the Employer may recover any such additional income tax and national insurance contributions at any time thereafter by any of the means referred to in paragraph 4 of the Agreement. Employee acknowledges that Employee ultimately will be responsible for reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any national insurance contributions due on this additional benefit.
RESTRICTED STOCK UNIT AGREEMENT

AGREEMENT by and between KBR, Inc., a Delaware corporation (the “Company”) and ________________ (“Employee”) made effective as of ________________ (the “Grant Date”).

1. **Grant of Restricted Stock Units.**

   (a) **Units.** Pursuant to the KBR, Inc. 2006 Stock and Incentive Plan, as amended and restated (the “Plan”), units evidencing the right to receive __________ shares of the Company’s common stock (“Stock”), are awarded to Employee, subject to the conditions of the Plan and this Agreement (the “Restricted Stock Units”).

   (b) **Plan Incorporated.** Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Stock Units shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which is incorporated herein by reference as a part of this Agreement. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

2. **Terms of Restricted Stock Units.** Employee hereby accepts the Restricted Stock Units and agrees with respect thereto as follows:

   (a) **Forfeiture of Restricted Stock Units.** In the event of termination of Employee’s employment with the Company or any employing Subsidiary of the Company for any reason other than (i) normal retirement on or after age 70, (ii) death or (iii) disability (disability being defined as being physically or mentally incapable of performing either the Employee’s usual duties as an Employee or any other duties as an Employee that the Company reasonably makes available and such condition is likely to remain continuously and permanently, as determined by the Company or employing Subsidiary), or except as otherwise provided in the second and third sentences of subparagraph (c) of this Paragraph 2, Employee shall, for no consideration, forfeit all Restricted Stock Units to the extent they are not fully vested.

   (b) **Assignment of Award.** The Restricted Stock Units may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of unless transferable by will or the laws of descent and distribution or pursuant to a “qualified domestic relations order” as defined by the U.S. Internal Revenue Code (the “Code”).

   (c) **Vesting Schedule.** The Restricted Stock Units shall vest in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the applicable vesting date.
Notwithstanding the foregoing, unless otherwise provided in an Other Agreement pursuant to Paragraph 8, the Restricted Stock Units shall become fully vested on the earliest of (i) the occurrence of your Involuntary Termination or termination for Good Reason within two years following a Corporate Change (as such terms are defined in the Plan), (ii) the date Employee’s employment with the Company is terminated by reason of death or disability (as determined above), or (iii) Employee’s attainment of age 70 while employed with the Company. In the event Employee’s employment is terminated for any other reason, including retirement prior to age 70 with the approval of the Company or employing Subsidiary, the Committee which administers the Plan (the “Committee”) or its delegate, as appropriate, may, in the Committee’s or such delegate’s sole discretion, approve the acceleration of the vesting of any or all Restricted Stock Units still subject to restrictions, such vesting acceleration to be effective on the date of such approval or Employee’s termination date, if later. Notwithstanding the foregoing, in no event shall the Restricted Stock Units become fully vested prior to the expiration of one month from the Grant Date.

(d) Stockholder Rights. Employee shall have no rights of a stockholder with respect to shares of Stock subject to this Award unless and until such time as the Award has been settled by the transfer of shares of Stock to Employee, except that Employee shall have the right to receive payments equal to the dividends or distributions declared or paid on a share of Stock at the same time as those dividends or distributions are paid to holders of Stock.

(e) Settlement and Delivery of Shares. Payment of vested Restricted Stock Units shall be made as soon as administratively practicable after vesting, but in no event later than thirty days after the vesting date. Settlement will be made by payment in shares of Stock. Notwithstanding the foregoing, the Company shall not be obligated to deliver any shares of Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Stock is listed or quoted.

(f) Recovery of Shares. The Company shall seek recovery of any benefits provided hereunder to Employee if such recovery is required by any clawback policy adopted by the Company, which may be amended from time to time, including, but not limited to, any clawback policy adopted to satisfy the minimum clawback requirements adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the regulations thereunder or any other applicable law.
3. **Withholding of Tax.** The Committee may make such provisions as it may deem appropriate for the withholding of any taxes which it determines is required in connection with this Award. Unless the Committee provides otherwise, the Company shall reduce the number of shares of Stock that would have otherwise been delivered to Employee by a number of shares of Stock having a Fair Market Value equal to the amount required to be withheld.

4. **Employment Relationship.** For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of the Company, a Parent Corporation or Subsidiary of the Company, or a corporation or a Parent Corporation or subsidiary of such corporation assuming or substituting a new award for this Award. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, or its delegate, as appropriate, and its determination shall be final.

5. **Committee’s Powers.** No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Stock Units.

6. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

7. **Compliance with Law.** Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the shares of Stock, the Company shall not be required to deliver any shares issuable upon settlement of the Restricted Stock Units prior to the completion of any registration or qualification of the shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission (“SEC”) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. Employee understands that the Company is under no obligation to register or qualify the shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares. Further, Employee agrees that the Company shall have unilateral authority to amend the Plan and the Agreement without Employee's consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.

8. **Other Agreements.** The terms of this Agreement shall be subject to, and shall not modify, the terms and conditions of any employment, severance, and/or change-in-control agreement between the Company (or a Subsidiary) and Employee concerning equity-based awards (“Other Agreement”), except that the Restricted Stock Units shall become fully vested on Employee’s attainment of age 70 while employed with the Company or a Subsidiary, and notwithstanding anything in such Other Agreement to the contrary, any normal retirement age of
65 or other retirement-based vesting provisions in such Other Agreement shall be of no force or effect for purposes of the vesting of these Restricted Stock Units.

9. **Governing Law and Venue** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, U.S.A., except to the extent that it implicates matters that are the subject of the General Corporation Law of the State of Delaware, which matters shall be governed by the latter law notwithstanding any conflicts of laws principles that may be applied or invoked directing the application of the laws of another jurisdiction. Exclusive venue for any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it or arising from it, or dispute resolution proceeding arising hereunder for any claim or dispute, the parties hereby submit to and consent to the sole and exclusive jurisdiction of Houston, Harris County, Texas, notwithstanding any conflicts of laws principles that may direct the jurisdiction of any other court, venue, or forum, including the jurisdiction of Employee’s home country.

10. **Section 409A** Notwithstanding anything in this Agreement to the contrary, if any provision in this Agreement would result in the imposition of an applicable tax under Section 409A of the Code and related regulations and United States Department of the Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the applicable tax and no action taken to comply with Section 409A shall be deemed to adversely affect Employee’s rights under this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Employee has executed this Agreement, all as of the date first above written.

KBR, INC.

By: ____________________________

[Signature]

Employee
DIRECTOR

RESTRICTED STOCK UNIT AGREEMENT

AGREEMENT by and between KBR, Inc., a Delaware corporation (the “Company”), and _______________ (“Director”), made effective as of March 6, 2013 (the “Grant Date”).

1. **Grant of Restricted Stock Units.**

   (a) **Units.** Pursuant to the KBR, Inc. 2006 Stock and Incentive Plan, as amended and restated (the “Plan”), units evidencing the right to receive 3,638 shares of the Company’s common stock (“Stock”), are awarded to Director, subject to the conditions of the Plan and this Agreement (the “Restricted Stock Units”).

   (b) **Plan Incorporated.** Director acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Stock Units shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

2. **Terms of Restricted Stock Units.** Director hereby accepts the Restricted Stock Units and agrees with respect thereto as follows:

   (a) **Forfeiture of Restricted Stock Units.** In the event of termination of Director’s membership on the Board of Directors of the Company (the “Board”) for any reason other than (i) death or disability while serving on the Board (disability being defined as being physically or mentally incapable of performing the Director’s usual duties as a member of the Board and such condition is likely to remain continuously and permanently, as determined by the Committee, or its delegate), (ii) failure to be re-elected to the Board after being duly nominated, or (iii) retirement from the Board pursuant to then existing Company policy for mandatory retirement, or except as otherwise provided in the last two sentences of subparagraph (c) of this Paragraph 2, Director shall, for no consideration, forfeit all Restricted Stock Units to the extent they are not fully vested.

   (b) **Assignment of Award.** The Restricted Stock Units may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of.

   (c) **Vesting Schedule.** The Restricted Stock Units shall vest in accordance with the following schedule provided that Director has been continuously a member of the Board from the date of this Agreement through the applicable vesting date.
Notwithstanding the foregoing, the Restricted Stock Units shall become fully vested on the earlier of (i) Director’s death or disability (as determined above), (ii) Director’s failure to be re-elected to the Board after being duly nominated while serving as a member of the Board, or (iii) Director’s retirement from the Board pursuant to then existing Company policy for mandatory retirement. In the event Director’s membership on the Board is terminated for any other reason, the Committee that administers the Plan (the “Committee”) or its delegate, as appropriate, may, in the Committee’s or such delegate’s sole discretion, approve the acceleration of the vesting of any or all Restricted Stock Units still subject to restrictions, such vesting acceleration to be effective on the date of such approval or Director’s termination date, if later.

(d) **Stockholder Rights.** Director shall have no rights of a stockholder with respect to shares of Stock subject to this Award unless and until such time as the Award has been settled by the transfer of shares of Stock to Director, except that the Director shall have the right to receive payments equal to the dividends or distributions declared or paid on a share of Stock at the same time as those dividends or distributions are paid to holders of Stock.

(e) **Settlement and Delivery of Shares.** Payment of vested Restricted Stock Units shall be made as soon as administratively practicable after vesting, but in no event later than thirty days after the vesting date. Settlement will be made by payment in shares of Stock. Notwithstanding the foregoing, the Company shall not be obligated to deliver any shares of Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Stock is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the delivery of shares of Stock to comply with any such law, rule, regulation, or agreement.
3. **Withholding of Tax.** The Committee may make such provisions as it may deem appropriate for the withholding of any taxes that it determines is required in connection with this Award. Unless the Committee provides otherwise, the Company shall reduce the number of shares of Stock that would have otherwise been delivered to Director by a number of shares of Stock having a Fair Market Value equal to the amount required to be withheld.

4. **Director Relationship.** For purposes of this Agreement, Director shall be considered to be a Director of the Company as long as Director remains a member of the Board. Any question as to whether and when there has been a termination of such membership on the Board, and the cause of such termination, shall be determined by the Committee, or its delegate, as appropriate, and its determination shall be final.

5. **Committee’s Powers.** No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Stock Units.

6. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Director.

7. **Compliance with Law.** Notwithstanding anything to the contrary herein, the Company shall not be obligated to issue any Stock in connection with a Restricted Stock Unit, at any time, if the offering or issuance of the Stock, or if acceptance of the Stock by a Director, violates or is not in compliance with any laws, rules or regulations of the United States or any state or country.

8. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

9. **Section 409A.** Notwithstanding anything in this Agreement to the contrary, if any provision in this Agreement would result in the imposition of an applicable tax under Section 409A of the Code and related regulations and United States Department of the Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the applicable tax and no action taken to comply with Section 409A shall be deemed to adversely affect the Director’s rights under this Agreement.
IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Director has executed this Agreement, all as of the date first above written.

KBR, INC.

By: [Signature]

Director
PERFORMANCE AWARD AGREEMENT

Grant Date:____________

Re:    Performance Unit Grant

I am pleased to inform you that KBR, Inc. (the “Company”) has granted you Performance Units under the Company’s 2006 Stock and Incentive Plan, as amended and restated (the “Plan”) as follows:

1. **Grant of Performance Units.**

   The number of Performance Units granted to you as a Performance Award under the Plan is _______. Each Performance Unit shall have a target value of $1.00. The actual value, if any, of a Performance Unit at the end of the Performance Period will be determined based on the level of achievement during the Performance Period of the performance objectives set forth in Exhibit A hereto, which is made a part hereof for all purposes.

2. (a) **Vesting.** Except as otherwise provided in subparagraphs (b) and (d) below, you will vest in the Performance Units earned (if any) for the Performance Period only if you are an employee of the Company or a Subsidiary on the date such earned Performance Units are paid, as provided in Paragraph 3 below.

   (b) **Death, Disability or Retirement.** Unless otherwise provided in an agreement pursuant to Paragraph 13, if you cease to be an employee of the Company or a Subsidiary as a result of (i) your death, (ii) your permanent disability (disability being defined as being physically or mentally incapable of performing either your usual duties as an employee or any other duties as an employee that the Company reasonably makes available and such condition is likely to remain continuously and permanently, as determined by the Company or employing Subsidiary), or (iii) normal retirement on or after reaching age 65, a prorata portion of your Performance Units that become “earned”, if any, as provided in Exhibit A, will become vested. The “prorata portion” that becomes vested shall be a fraction, the numerator of which is the number of days in the Performance Period in which you were an employee of the Company or a Subsidiary and the denominator of which is the total number of days in the Performance Period. If your termination for the above reasons is after the end of the Performance Period but before payment of the Performance Units earned, if any, for such Performance Period, you will be fully vested in any such earned Performance Units.

   Notwithstanding the foregoing, if the EU Employment Equality Directive (Directive 2000/78/EC) has been implemented in your country of employment or residence or if the Company receives a legal opinion that there has been a legal judgment and/or
legal development in your jurisdiction that would likely result in the favorable retirement treatment that applies to Performance Awards under the Plan being deemed unlawful and/or discriminatory, the provision above regarding termination of employment related to normal retirement on or after age sixty-five shall not be applicable to you.

(c) **Other Terminations.** If you terminate from the Company and its Subsidiaries for any reason other than as provided in subparagraph (b) above or subparagraph (d) below, all unvested Performance Units held by you shall be forfeited without payment immediately upon such termination.

(d) **Corporate Change.** Notwithstanding any other provision hereof, unless otherwise provided in an agreement pursuant to Paragraph 13, your Performance Units shall become fully vested at the maximum earned percentage provided in Exhibit A upon your Involuntary Termination or termination for Good Reason within two years following a Corporate Change (as provided in the Plan) (a “Double Trigger Event”) during the Performance Period. If a Double Trigger Event occurs after the end of the Performance Period and prior to payment of the earned Performance Units, you will be 100% vested in your earned Performance Units upon the Double Trigger Event and payment will be made in accordance with the results achieved for the Performance Period ended as provided in Exhibit A.

For purposes of this Agreement, employment with the Company includes employment with a Subsidiary.

3. **Payment of Vested Performance Units.** As soon as administratively practicable after the end of the Performance Period, but no later than the March 15th following the end of the Performance Period, or with respect to a Double Trigger Event occurring prior to the end of the Performance Period, the date of the Double Trigger Event (but no later than the March 15th following the calendar year in which occurs the date of the Double Trigger Event), you shall be entitled to receive from the Company a payment in cash equal to the product of the Payout Percentage (as defined in Exhibit A) and the sum of the target values of your vested Performance Units. Except as provided in Exhibit A with respect to a Double Trigger Event, if the performance thresholds set forth in Exhibit A are not met, no payment shall be made with respect to the Performance Units, whether or not vested. Notwithstanding the foregoing, in no event may the amount paid to you by the Company in any year with respect to Performance Units earned hereunder exceed the applicable limit under Article V of the Plan.

4. **Recovery of Payment of Vested Performance Units.** The Company may seek recovery of any benefits provided to you under this Agreement if such recovery is required by any clawback policy adopted by the Company, which may be amended from time to time, including, but not limited to, any clawback policy adopted to satisfy the minimum clawback requirements adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the regulations thereunder or any other applicable law.

5. **Limitations Upon Transfer.** All rights under this Agreement shall belong to you and may not be transferred, assigned, pledged, or hypothecated in any way (whether by operation of
law or otherwise), other than by will or the laws of descent and distribution or pursuant to a “qualified domestic relations order” (as defined by the Code), and shall not be subject to execution, attachment, or similar process. Upon any attempt to transfer, assign, pledge, hypothecate, or otherwise dispose of such rights contrary to the provisions in this Agreement or the Plan, or upon the levy of any attachment or similar process upon such rights, such rights shall immediately become null and void.

6. Withholding of Tax. You acknowledge that, regardless of any action taken by the Company or, if different, your employer (the “Employer”), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“Tax-Related Items”), is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (1) do not make representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Units including, but not limited to, the grant, vesting or payout of the Performance Units; and (2) do not commit to the structure of the terms of the Performance Units or any aspect of the Performance Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction between the date of grant and the date of any relevant taxable event, as applicable, you acknowledge that the Company and/or Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or your Employer or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (a) withholding from your wages or other cash compensation paid to you by the Company and/or your Employer, or (b) withholding from the payout of the Performance Units.

Depending on the withholding method, the Company may withhold or account for Tax-Related items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the Performance Units. Finally, you agree to pay the Company or the Employer, including through withholding from your wages or other cash compensation paid to you by the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver the cash settlement or any other form of pay-out for the Performance Units, if you fail to comply with your obligations in connection with the Tax-Related Items.

7. Nature of Grant. In accepting the Performance Units, you acknowledge, understand and agree that: (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan; (b) the grant of the Performance Units is voluntary
and occasional and does not create any contractual or other right to receive future grants of Performance Units, or benefits in lieu of Performance Units, even if Performance Units have been granted in the past; (c) all decisions with respect to future Performance Units or other grants, if any, will be at the sole discretion of the Company; (d) the grant of Performance Units and your participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, your Employer, or any Subsidiary of the Company and shall not interfere with the ability of the Company, your Employer or any Subsidiary of the Company, as applicable to terminate your employment or service relationship (if any); (e) you are voluntarily participating in the Plan; (f) the Performance Units are not intended to replace any pension rights or compensation; (g) the Performance Units and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (h) the future value of the Performance Units is unknown, indeterminable and cannot be predicted with certainty; (i) no claim or entitlement to compensation or damages shall arise from the forfeiture of the Performance Units resulting from you ceasing to provide employment or other services to the Company or your Employer (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any) and in consideration of the grant of the Performance Units to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, or your Employer or any Subsidiary, waive your ability, if any, to bring such claim, and release the Company and your Employer and all Subsidiaries from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim; (j) in the event of involuntary termination of your active employment or other services (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), unless otherwise provided in this Agreement or determined by the Company, your right to vest in the Performance Units under the Plan, if any, will terminate effective as of the date that you are no longer actively providing services and will not be extended by any notice period (e.g., active services would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), except as expressly provided herein, and that the Company shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the Performance Units (including whether you may still be considered to be providing services while on an approved leave of absence); (k) unless otherwise provided in the Plan or by the Company in its discretion, the Performance Units and the benefits evidenced by this Agreement do not create any entitlement to have the Performance Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; (l) if you are requested to make repayment under Paragraph 4, you will make repayment immediately; and (m) the following provisions apply only if you are providing services outside the United States: (i) the Performance Units are not part of normal or expected compensation or salary for any purpose; and (ii) you
acknowledge and agree that neither the Company, the Employer nor any Subsidiary of the Company shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Performance Units or the subsequent payout of the Performance Units.

8. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

9. **Data Privacy.** You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among, as applicable, the Employer, and the Company and its Subsidiaries, for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company and your Employer hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, details of all Performance Units outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan (“Data”). You understand that Data may be transferred to Morgan Stanley Smith Barney LLC or such other service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients may be located in the United States or elsewhere, and that the recipient’s country (e.g., the United States) may have different data privacy laws and protections from your country. You understand that if you reside outside the United States, you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the Company, Morgan Stanley Smith Barney LLC and any other possible recipients which may assist the Company (presently or in the future) to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that if you reside outside the United States, you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing your consent is that the Company would not be able to grant to you Performance Units or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.
10. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company or upon any person lawfully claiming under you.

11. **Modification.** Except to the extent permitted by the Plan, any modification of this Agreement will be effective only if it is in writing and signed by each party whose rights hereunder are affected thereby.

12. **Plan Controls.** This grant is subject to the terms of the Plan, which are hereby incorporated by reference. In the event of a conflict between the terms of this Agreement and the Plan, the Plan shall be the controlling document. Capitalized terms used herein or in Exhibit A and not otherwise defined herein or in Exhibit A shall have the meaning ascribed to them in the Plan.

13. **Other Agreements.** Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to and governed by, and shall not modify, the terms and conditions of any employment, severance, and/or change-in-control agreement between the Company (or a Subsidiary) and you.

14. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any document related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

15. **Severability.** If one or more of the provisions of this Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Agreement to be construed so as to foster the intent of this Agreement and the Plan.

16. **Language.** If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different from the English version, the English version will control.

17. **Governing Law and Venue.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, U.S.A., except to the extent that it implicates matters that are the subject of the General Corporation Law of the State of Delaware, which matters shall be governed by the latter law notwithstanding any conflicts of laws principles that may be applied or invoked directing the application of the laws of another jurisdiction. Exclusive venue for any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it or arising from it, or dispute resolution proceeding arising hereunder for any claim or dispute, the parties hereby submit to and consent to the sole and exclusive jurisdiction of Houston, Harris County, Texas, notwithstanding any conflicts of laws principles that may direct the jurisdiction of any other court, venue, or forum, including the jurisdiction of the employee’s home country.
18. **Compliance with Law.** Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Performance Units, the Company shall not be required to deliver any payment from the payout of the Performance Units prior to the completion of any registration or qualification of the shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission (“SEC”) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval, the Company shall, in its absolute discretion, deem necessary or advisable. You understand that the Company is under no obligation to register or qualify the shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for payout of the Performance Units. Further, you agree that the Company shall have unilateral authority to amend the Plan and the Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.

19. **Exhibit B.** Notwithstanding any provisions in this document, the Performance Units shall be subject to any special terms and conditions set forth in Exhibit B to this Agreement for your country. Moreover, if you relocate to one of the countries included in Exhibit B, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Exhibit B constitutes part of this Agreement.

20. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, or on the Performance Units, to the extent the Company determines it is necessary or advisable for legal or administrative reasons and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

21. **Waiver.** You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Participant.

22. **Total Shareholder Return.** Notwithstanding any provisions in this document (other than the last sentence of this Paragraph), if you are a senior executive of the Company (defined as an employee of the Company or any employing Subsidiary of the Company who is either the Chief Executive Officer of the Company (the “CEO”) or a direct report to the CEO) on the Grant Date and the Company’s average Total Shareholder Return (as defined and determined pursuant to Part II.A. of Exhibit A) at the end of the Performance Period is less than 100%, the payment of your vested Performance Units shall not exceed the Target (100%) payout under the TSR Peer Group Percentile and Payout Table set forth in Exhibit A. The preceding sentence shall not apply if, pursuant to the first sentence of Paragraph 2(d), your Performance Units become fully vested at the maximum earned percentage provided in Exhibit A upon a Double Trigger Event during the Performance Period.
By signing below, you agree that the grant of these Performance Units is under and governed by the terms and conditions of the Plan, including the terms and conditions set forth in this Agreement, including Exhibit A and, to the extent applicable, Exhibit B. This grant shall be void and of no effect unless you execute this Agreement prior to the payment of your vested performance units.

KBR, INC.

By: __________________________

Name: William P. Utt
Title: Chairman of the Board, President, and CEO

Employee: __________________________

Date: __________________________
EXHIBIT A

To Performance Award Agreement

Performance Goals

Except as otherwise provided in the Agreement, the provisions of this Exhibit A shall determine the extent, if any, that the Performance Units become “earned” and payable.

I. Performance Period

The Performance Period shall be the period beginning January 1, 2013, and ending December 31, 2015.

II. Total Shareholder Return ("TSR")

The payment of a Performance Unit will be determined based on the comparison of (i) the average of the TSRs (as defined below) of the Company’s common stock measured at the end of each calendar quarter during the Performance Period, with each quarter’s TSR indexed back to the beginning of the Performance Period on January 1, 2013 to (ii) the average of the TSRs of each of the common stocks of the members of the Peer Group measured at the end of each calendar quarter during the Performance Period, with each quarter’s TSR indexed back to the beginning of the Performance Period on January 1, 2013.

“TSR” or “Total Shareholder Return” shall mean, with respect to a calendar quarter, the change in the price of a share of common stock from the beginning of the Performance Period (as measured by the closing price of a share of such stock on the last trading day preceding the beginning of the Performance Period) until the end of the applicable calendar quarter to be measured during the Performance Period (as measured by the closing price of a share of such stock on the last trading day of the calendar quarter), adjusted to reflect the reinvestment of dividends (if any) through the purchase of common stock at the closing price on the corresponding dividend payment date, which shall be the ex-dividend date, and rounded to the first decimal place. Dividends per share paid other than in the form of cash shall have a value equal to the amount of such dividends reported by the issuer to its shareholders for purposes of Federal income taxation.

A. Average TSR

The average TSR for a company for the Performance Period shall be the sum of the TSRs of the company measured at the end of each calendar quarter during the Performance Period, divided by 12. The average TSR for a company during the Performance Period shall be calculated based on the following formula:
**2013 TSR Formula - Sustained Performance**

Average indexed performance =

\[
\sum_{q=1}^{12} \frac{x_q}{x}
\]

where:

- \(x\) = share price at beginning of performance period (measured by closing price on the last trading day preceding the beginning of the performance period)
- \(x_q\) = closing share price at the end of each quarter (adjusted for dividends paid, where the dividend payment date is the ex-dividend date)
- \(q\) = quarter number (1 through 12)

**Example 1:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Share price *</th>
<th>Index (x)</th>
<th>Index ((x_q / x))</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2013</td>
<td>$20.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/31/2013</td>
<td>$22.00</td>
<td>110.0</td>
<td></td>
</tr>
<tr>
<td>6/30/2013</td>
<td>$24.00</td>
<td>120.0</td>
<td></td>
</tr>
<tr>
<td>9/30/2013</td>
<td>$21.00</td>
<td>105.0</td>
<td></td>
</tr>
<tr>
<td>12/31/2013</td>
<td>$20.00</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>3/31/2014</td>
<td>$18.00</td>
<td>90.0</td>
<td></td>
</tr>
<tr>
<td>6/30/2014</td>
<td>$22.00</td>
<td>110.0</td>
<td></td>
</tr>
<tr>
<td>9/30/2014</td>
<td>$25.00</td>
<td>125.0</td>
<td></td>
</tr>
<tr>
<td>12/31/2014</td>
<td>$28.00</td>
<td>140.0</td>
<td></td>
</tr>
<tr>
<td>3/31/2015</td>
<td>$31.00</td>
<td>155.0</td>
<td></td>
</tr>
<tr>
<td>6/30/2015</td>
<td>$33.00</td>
<td>165.0</td>
<td></td>
</tr>
<tr>
<td>9/30/2015</td>
<td>$30.00</td>
<td>150.0</td>
<td></td>
</tr>
<tr>
<td>12/31/2015</td>
<td>$28.00</td>
<td>140.0</td>
<td></td>
</tr>
</tbody>
</table>

\[
\sum_{q=1}^{12} \left( \frac{x_q}{x} \right) = 1,510.0
\]

\[
\sum_{q=1}^{12} \left( \frac{x_q}{x} \right) = 125.8
\]
* Share price adjusted for dividends paid in the period, where the dividend payment date is the ex-dividend date.

B. Peer Group and Payout

Once the average TSR for the Company during the Performance Period is calculated, the average TSR for each company in the Peer Group shall be calculated.

The Peer Group shall consist of the following companies (including KBR, Inc.):

- AECOM Technology Corporation
- Jacobs Engineering Group Inc.
- Chicago Bridge & Iron Company N.V.
- McDermott International, Inc.
- Chiyoda Corporation
- Quanta Services, Inc.
- EMCOR Group, Inc.
- Technip
- Fluor Corporation
- URS Corporation
- Foster Wheeler AG

No company shall be added to, or removed from, the Peer Group during the Performance Period, except that a company shall be removed from the Peer Group if during such period (i) such company ceases to maintain publicly available statements of operations prepared in accordance with GAAP, (ii) such company is not the surviving entity in any merger, consolidation, or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly owned entity of such company), or (iii) such company sells, leases, or exchanges all or substantially all of its assets to any other person or entity (other than a previously wholly owned entity of such company).

If one or more Peer Group companies are removed from the Peer Group, then the percentiles and payouts will adjust for the change in “n” of the formula provided below. After the average TSR is determined for the Company and each company in the Peer Group, the Company’s average TSR rank among the average TSRs for the Peer Group for the Performance Period and the Company’s applicable TSR payout percentage shall be determined by the following formula:
**TSR Peer Group Percentile and Payout Table**

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Threshold</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25%</td>
<td>0%</td>
<td>25%</td>
<td>50%</td>
</tr>
<tr>
<td>25%</td>
<td>25%</td>
<td>50%</td>
<td>100%</td>
</tr>
<tr>
<td>50%</td>
<td>50%</td>
<td>100%</td>
<td>200%</td>
</tr>
</tbody>
</table>

**LTI TSR Calculation Method**

<table>
<thead>
<tr>
<th>Performance Level</th>
<th>Ranking</th>
<th>Percentile</th>
<th>Payout</th>
<th>100% Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>1</td>
<td>100.0%</td>
<td>200.0%</td>
<td>200.0%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>90.9%</td>
<td>181.8%</td>
<td>181.8%</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>81.8%</td>
<td>163.6%</td>
<td>163.6%</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>72.7%</td>
<td>145.4%</td>
<td>145.4%</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>63.6%</td>
<td>127.2%</td>
<td>127.2%</td>
</tr>
<tr>
<td>Target</td>
<td>6</td>
<td>54.5%</td>
<td>109.0%</td>
<td>109.0%</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>45.5%</td>
<td>86.5%</td>
<td>86.5%</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>36.4%</td>
<td>59.2%</td>
<td>59.2%</td>
</tr>
<tr>
<td>Threshold</td>
<td>9</td>
<td>27.3%</td>
<td>31.9%</td>
<td>31.9%</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>18.2%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>9.1%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

* Rounded to 1 decimal place

**Percentile for TSR purposes**

\[
\text{Percentile} = \frac{(n - r) \times 100\%}{(n - 1)}
\]

where:

- \(n\) = number of Peer Group companies (including KBR)
- \(r\) = KBR ranking in the list of companies (including KBR)

**Example 1**

KBR ranked 8th out of 13 companies

\[
(13 - 8) \times 100\% = 41.7\%
\]

**Example 2**

KBR ranked 4th out of 12 companies

\[
(12 - 4) \times 100\% = 72.7\%
\]

**Example 3**

KBR ranked 7th out of 11 companies

\[
(11 - 7) \times 100\% = 40.0\%
\]

**Example 4**

KBR ranked 3rd out of 13 companies

\[
(13 - 3) \times 100\% = 83.3\%
\]

**III. Determination of the “Earned” Value of Performance Units**
For a result (the “Performance Percentage”) between Threshold and Target or Target and Maximum in Column B, the Performance Percentage earned shall be determined by linear interpolation between the two applicable standards based on the result achieved for the Performance Measure.

The “target” value of a Performance Unit is $1.00; its maximum value is $2.00 per unit if the maximum performance objective for the Performance Measure in Column B is achieved, and the Performance Unit value will be zero if the threshold performance objective for the Performance Measure is not achieved. The value of an “earned” Performance Unit shall be determined by multiplying its “target” value of $1.00 by the Payout Percentage for the Performance Period. The “Payout Percentage” for a Performance Unit shall be determined by multiplying Column A by the Column B Performance Percentage result for the Performance Measure.

Notwithstanding the foregoing, unless otherwise provided in an agreement pursuant to Paragraph 13 of the Agreement, for purposes of determining the Payout Percentage for payment upon a Double Trigger Event occurring prior to the end of the Performance Period, the Column B result for the Performance Measure shall be deemed to have been met at the maximum level (200%). Pursuant to Paragraph 22 of the Agreement and notwithstanding any of the foregoing, if you are a senior executive of the Company (as defined in the Agreement) on the Grant Date and the Company’s average TSR (as determined pursuant to Part II.A. of this Exhibit A) at the end of the Performance Period is less than 100%, no payment hereunder will exceed the Target (100%) payout under the TSR Peer Group Percentile and Payout Table above; provided, however, that this sentence shall not apply if, pursuant to the first sentence of this Paragraph, the Performance Measure is deemed to have been met at the maximum level (200%) upon a Double Trigger Event occurring prior to the end of the Performance Period.

IV. Adjustments to Performance Measurements for Significant Events

If, after the beginning of the Performance Period, there is a change in accounting standards required by the Financial Accounting Standards Board, the performance results shall be adjusted by the Company’s independent accountants as appropriate to disregard such change. In addition, the results of the Company or a peer group company shall be adjusted to reflect any stock splits or other events described in Article XIII of the Plan, but only if such adjustment would not cause the performance goal to no longer satisfy the requirements of Section 162(m) of the Code.

V. Committee Certification
As soon as reasonably practical following the end of the Performance Period, but in no event later than the March 15th following the end of the Performance Period, the Committee shall review and determine the performance results for the Performance Period and certify those results in writing. No Performance Units earned and vested shall be payable prior to the Committee’s certification; provided, however, Committee certification shall not apply in the event of a Double Trigger Event, unless otherwise provided in an agreement pursuant to paragraph 13 of the Agreement.

EXHIBIT B

KBR, INC.

Terms and Conditions of Performance Unit Grant

SPECIAL PROVISIONS OF PERFORMANCE UNITS IN CERTAIN COUNTRIES

This Exhibit B includes special country-specific terms that apply to residents in countries listed below. This Exhibit B is part of the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

This Exhibit B also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of February 2013. Such laws are often complex, change frequently, certain individual exchange control reporting requirements may apply upon vesting of the Performance Units and results may be different based on the particular facts and circumstances. As a result, the Company strongly recommends that you do not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time your Performance Units vest or your Performance Units are settled under the Plan.

In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

If you are a citizen or resident of a country other than the country in which you are working or if you transfer employment after the Performance Units are granted to you, the information contained in this Exhibit B for the country you work in at the time of grant may not be applicable to you and the Company, in its discretion, determines to what extent the terms and conditions contained herein shall be applicable to you. If you transfer residency and/or employment to another country or are considered a resident of another country listed in this Exhibit B after the Performance Units are granted to you, the terms and/or information contained for that new country (rather than the original grant country) may be applicable to you.

ALGERIA

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

You acknowledge that, even though you receive only a cash payment upon vesting of the Performance Units, you still may be subject to certain exchange control requirements under local laws. You are required to repatriate any cash payment you receive upon settlement of the Performance Units to Algeria. You are advised to consult with your personal legal consultant to ensure compliance with any exchange control obligations arising from your participation in the Plan.

ANGOLA

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

You acknowledge that, even though you receive only a cash payment upon vesting of the Performance Units, you still may be subject to certain exchange control requirements under local laws. You must repatriate any cash payment you receive upon settlement of the Performance Units to Angola. You are advised to consult with your personal legal consultant to ensure compliance with any exchange control obligations arising from your participation in the Plan.
AUSTRALIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

Exchange control reporting is required for cash transactions exceeding AUD10,000 and for international fund transfers. The Australian bank assisting with the transaction will file the report for you. If there is no Australian bank involved in the transfer, you will have to file the report.

AZERBAIJAN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

BRAZIL
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Compliance with Laws.

By accepting the Performance Units, you agree that you will comply with Brazilian law when you receive the cash payment upon vesting of the Performance Units. You also agree to report any and all taxes associated with the cash payment upon vesting of the Performance Units.

Exchange Control Information.

You must prepare and submit a declaration of assets and rights held outside Brazil to the Central Bank on an annual basis if you hold assets or rights valued at more than US$100,000.

CANADA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Termination of Employment.

The following provision supplements Paragraph 2 of the Agreement:

In the event of your termination of employment for any reason (whether or not in breach of local labor laws), your right to vest in the Performance Units will terminate effective as of the date that is the earlier of (1) the date you receive notice of termination of employment from the Employer, or (2) the date you are no longer actively providing service, regardless of any notice period or period of pay in lieu of such notice required under applicable laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer actively employed for purposes of the Performance Units.

The following provisions shall apply if you are a resident of Quebec:

Data Privacy.

This provision supplements Paragraph 9 of the Agreement:

You hereby authorize the Company and representatives of any Subsidiary or affiliate to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. You further authorize the Company and any Subsidiary or affiliate and the administrators of the Plan to disclose and discuss the Plan with their advisors. You further authorize the Company and any Subsidiary or affiliate to record such information and to keep such information in your file.

Language Consent.

The parties acknowledge that it is their express wish that the Agreement, including this Exhibit, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention («Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés...
Cash Awards Granted for Retention Purposes Only.

The following provision supplements Section 7(g) of the Agreement:

Notwithstanding anything contrary in the Agreement, you understand and agree that the Performance Units are granted by the Company to you for retention purposes only and do not constitute variable income or part of your normal compensation or salary.

No Entitlement to Cash Amounts Prior to Payment. The following provision supplements Sections 1, 3 and 7(g) of the Agreement:

You understand that the Performance Units are granted to you by the Company and do not constitute variable income or compensation received from the Employer in connection with your employment. You understand and agree you have no right to the cash payment upon vesting/settlement of the Performance Units until said payments are actually paid to you. In the event you terminate employment prior to the payment date and are not otherwise entitled to a prorata portion under Section 2(b)-(d), you understand and agree that all rights to the Performance Units and the payments thereunder shall be lost as of your termination date, notwithstanding your rendering of services or other contributions over the Performance Period or thereafter. The Committee shall have the exclusive authority to determine when you are terminated for purposes of the Performance Unit.

Exchange Control Information.

You must repatriate the proceeds from the settlement of your Performance Units and convert the proceeds into local currency within a reasonable timeframe (i.e., 90 days of receipt). You will receive a foreign inward remittance certificate (“FIRC”) from the bank where you deposit the foreign currency. You should maintain the FIRC received from the bank as evidence of the repatriation of the funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation. It is your responsibility to comply with applicable exchange control laws in India.

Effective April 1, 2012, you are required to declare in your annual tax return (a) any foreign assets held by you or (b) any foreign bank accounts for which you have signing authority.

Exchange Control Information.

If you remit funds into Indonesia, the Indonesian Bank through which the transaction is made will submit a report on the transaction to the Bank of Indonesia for statistical reporting purposes. For transactions of US$10,000 or more, a description of the transaction must be included in the report. Although the bank through which the transaction is made is required to make the report, you must complete a “Transfer Report Form.” The Transfer Report Form will be provided to you by the bank through which the transaction is to be made.

There are no country-specific provisions.

Data Privacy Notice.

This section replaces Paragraph 7 of the Agreement:

You understand that the Employer, the Company and any Subsidiary may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance (to the extent permitted under Italian law) or other identification number, salary, nationality, job title, any directorships held in the Company or any Subsidiary, details of all Performance Units granted, awarded, canceled, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, managing and administering the Plan (“Data”).
You also understand that providing the Company with Data is necessary for the performance of the Plan and that your refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the Plan. The Controller of personal data processing is KBR Inc., with registered offices at 601 Jefferson Street, Suite 3400, Houston, Texas 77002, U.S.A, and, pursuant to Legislative Decree no. 196/2003, its representative in Italy is Kellogg Brown & Root Projects Limited, with registered offices at Deloitte & Touche, Via Tortona 25, Milan, Italy.

You understand that Data will not be publicized, but it may be transferred to banks, other financial institutions, or brokers involved in the management and administration of the Plan. You understand that Data may also be transferred to the Company’s stock plan service provider, Morgan Stanley Smith Barney, or such other administrator that may be engaged by the Company in the future. You further understand that the Company and/or any Subsidiary will transfer Data among themselves as necessary for the purpose of implementing, administering and managing your participation in the Plan, and that the Company and/or any Subsidiary may each further transfer Data to third parties assisting the Company in the implementation, administration, and management of the Plan. Such recipients may receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan. You understand that these recipients may be located in or outside the European Economic Area, such as in the United States or elsewhere. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Data as soon as it has completed all the necessary legal obligations connected with the management and administration of the Plan.

You understand that Data-processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data is collected and with confidentiality and security provisions, as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require your consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration, and management of the Plan. You understand that, pursuant to Section 7 of the Legislative Decree no. 196/2003, you have the right to, including but not limited to, access, delete, update, correct, or terminate, for legitimate reason, the Data processing. Furthermore, you are aware that Data will not be used for direct marketing purposes. In addition, Data provided can be reviewed and questions or complaints can be addressed by contacting your local human resources representative.

**Plan Document Acknowledgment.**

In accepting the Performance Units, you acknowledge that you have received a copy of the Plan and the Agreement and have reviewed the Plan and the Agreement, including this Exhibit B, in their entirety and fully understand and accept all provisions of the Plan and the Agreement, including this Exhibit B. You further acknowledges that you have read and specifically and expressly approve the following Paragraphs of the Agreement: Paragraph 2; Paragraph 3: Payment of Vested Performance Units; Paragraph 5: Limitations Upon Transfer; Paragraph 6: Withholding of Tax; Paragraph 7: Nature of Grant; Paragraph 14: Electronic Delivery and Acceptance; Paragraph 17: Governing Law and Venue; Paragraph 19: Exhibit B and the Data Privacy Notice in this Exhibit B.

**Additional Tax/Exchange Control Information.**

You are required to report the following on your annual tax return: (1) any transfers of cash to or from Italy exceeding €10,000, (2) any foreign investments or investments held outside of Italy at the end of the calendar year exceeding €10,000 if such investments (cash) may result in income taxable in Italy, and (3) the amount of the transfers to and from abroad which have had an impact during the calendar year on your foreign investments or investments held outside of Italy. Under certain circumstances, you may be exempt from requirement under (1) above if the transfer or investment is made through an authorized broker resident in Italy.

Starting from 2011, a tax on the value of financial assets held outside of Italy by Italian residents has been introduced. The tax will apply at an annual rate of 0.15% beginning in 2013. The taxable amount will be the fair market value of the financial assets, assessed at the end of the calendar year.

**JAPAN**

**KBR, INC. 2006 STOCK AND INCENTIVE PLAN**

**Offshore Assets Reporting Information.**

You will be required to report details of any assets (including cash payment upon vesting of Performance Units) held outside Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15th of the following year. You should consult with your personal tax advisor as to whether the reporting obligation applies to
KAZAKHSTAN

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

You are responsible for complying with applicable exchange control regulations in Kazakhstan. As the exchange control regulations in Kazakhstan may change without notice, you should consult a legal advisor to ensure compliance with the regulations.

KOREA

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

MEXICO

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Acknowledgement of the Agreement.

In accepting the award of Performance Units, you acknowledge that you have received a copy of the Plan, have reviewed the Plan and the Agreement in their entirety and fully understand and accept all provisions of the Plan and the Agreement. You further acknowledge that you have read and specifically and expressly approve the terms and conditions of Paragraph 6 of the Agreement, in which the following is clearly described and established:

1. Your participation in the Plan does not constitute an acquired right.
2. The Plan and your participation in the Plan are offered by the Company on a wholly discretionary basis.
3. Your participation in the Plan is voluntary.


In accepting the award of Performance Units, you expressly recognize that KBR, Inc., with registered offices at 601 Jefferson Street, Suite 3400, Houston, Texas 77002, U.S.A., is solely responsible for the administration of the Plan and that your participation in the Plan and receipt of Performance Units does not constitute an employment relationship between you and KBR, Inc. since you are participating in the Plan on a wholly commercial basis and your sole employer is KBR in Mexico (“KBR-Mexico”), not KBR, Inc. in the U.S. Based on the foregoing, you expressly recognize that the Plan and the benefits that you may derive from participation in the Plan do not establish any rights between you and your Employer, KBR-Mexico, and do not form part of the employment conditions and/or benefits provided by KBR-Mexico and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of your employment.

You further understand that your participation in the Plan is as a result of a unilateral and discretionary decision of KBR, Inc.; therefore, KBR, Inc. reserves the absolute right to amend and/or discontinue your participation at any time without any liability to you.

Finally, you hereby declare that you do not reserve to yourself any action or right to bring any claim against KBR, Inc. for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and you therefore grant a full and broad release to KBR, Inc., its Subsidiary, affiliates, branches, representation offices, its shareholders, officers, agents or legal representatives with respect to any claim that may arise.

Reconocimiento del Convenio.

Aceptando este Premio (Award), el Participante reconoce que ha recibido una copia del Plan, que lo ha revisado como así también el Convenio en el Participante totalidad, y comprende y está de acuerdo con todas las disposiciones tanto del Plan como del Convenio. Asimismo, su reconoce que ha leído y específicamente y expresamente manifiesta la conformidad del Participante con los términos y condiciones establecidos en la cláusula 6 le dicho Convenio, en el cual se establece claramente que:

1. La participación del Participante en el Plan de ninguna manera constituye un derecho adquirido.
2. Que el Plan y la participación del Participante en el mismo es una oferta por parte de KBR, Inc. de forma completamente discrecional.
Que la participación del Participante en el Plan es voluntaria.

Reconocimiento de Ausencia de Relación Laboral y Declaración de la Política.

Aceptando este Premio, el Participante reconoce que KBR, Inc. y sus oficinas registradas en 601 Jefferson Street, Suite 3400, Houston, Texas 77002, U.S.A., es el único responsable de la administración del Plan y que la participación del Participante en el mismo y la adquisición de Acciones no constituye de ninguna manera una relación laboral entre el Participante y KBR, Inc., toda vez que la participación del Participante en el Plan deriva únicamente de una relación comercial con KBR, Inc., reconociendo expresamente que el único empleador del Participante lo es KBR en México (“KBR-Mexico”), no es KBR, Inc. en los Estados Unidos. Derivado de lo anterior, el Participante expresamente reconoce que el Plan y los beneficios que pudieran derivar del mismo no establecen ningún derecho entre el Participante y su empleador, KBR-México, y no forman parte de las condiciones laborales y/o prestaciones otorgadas por KBR-México, y expresamente el Participante reconoce que cualquier modificación al Plan o la terminación del mismo de manera alguna podrá ser interpretada como una modificación de los condiciones de trabajo del Participante.

Asimismo, el Participante entiende que su participación en el Plan es resultado de la decisión unilateral y discrecional de KBR, Inc., por lo tanto, KBR, Inc. se reserva el derecho absoluto para modificar y/o terminar la participación del Participante en cualquier momento, sin ninguna responsabilidad para el Participante.

Finalmente, el Participante manifiesta que no se reserva ninguna acción o derecho que origine una demanda en contra de KBR, Inc., por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivados del mismo, y en consecuencia el Participante otorga un amplio y total finiquito a KBR, Inc., sus Entidades Relacionadas, afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales con respecto a cualquier demanda que pudiera surgir.

NIGERIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

QATAR
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

RUSSIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

U.S. Transaction.

You understand that the Performance Units shall be valid and the Agreement shall be concluded and become effective only when the Agreement is sent and/or received by the Company in the United States.

Exchange Control Information.

You must repatriate the cash payment from the settlement of the Performance Units within a reasonably short time of receipt. The cash payment must be initially credited to you through a foreign currency account opened in your name at an authorized bank in Russia. After the funds are initially received in Russia, they may be further remitted to foreign banks in accordance with Russian exchange control laws.

SAUDI ARABIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of the Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Agreement. You are hereby advised to conduct your own due diligence on the accuracy of the information relating to the Performance Units. If you do not understand the contents of the Agreement, you should consult your own advisor or an authorized financial adviser.

SINGAPORE
Director Notification Information.

If you are a director of a Singapore Subsidiary, you may need to notify the Singapore Subsidiary in writing within two business days of your receiving an interest (e.g., Performance Units) in the Company or any Subsidiary or within two business days of you becoming a director if such an interest exists at the time. This notification requirement also applies to an associate director of the Singapore Subsidiary and to a shadow director of the Singapore Subsidiary (i.e., an individual who is not on the board of directors of the Singapore Subsidiary but who has sufficient control so that the board of directors of the Singapore Subsidiary acts in accordance with the “directions and instructions” of the individual).

SOUTH AFRICA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Tax Withholding Notification.

By your acceptance of the Performance Units and the Agreement, you agree to notify your Employer of the amount you receive upon settlement of the Performance Units. Once the notification is made, your Employer will obtain a directive from the South African Revenue Service as to the correct amount of tax to be withheld. If you fail to advise your Employer of any cash settlement you receive, you may be liable for a fine. You will be responsible for paying any difference between the actual tax liability and the amount withheld.

Exchange Control Information.

You are solely responsible for complying with applicable South African exchange control regulations. Because the exchange control regulations change frequently and without notice, you should consult your legal advisor prior to the settlement of the Performance Units to ensure compliance with current regulations. As noted, it is your responsibility to comply with South African exchange control laws, and neither the Company nor your Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.

SWEDEN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

THAILAND
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

If proceeds from the cash payment upon vesting of the Performance Units are equal to or greater than US$50,000 or more in a single transaction, you must repatriate the proceeds to Thailand immediately upon receipt and convert the funds to Thai Baht or deposit the proceeds in a foreign currency deposit account maintained by a bank in Thailand within 360 days of remitting the proceeds to Thailand. In addition, you must report the inward remittance to the Bank of Thailand on a foreign exchange transaction form. If you fail to comply with these obligations, you may be subject to penalties assessed by the Bank of Thailand. Because exchange control regulations change frequently and without notice, you should consult your personal advisor. You are responsible for ensuring compliance with all exchange control laws in Thailand and neither the Company nor any of its Subsidiaries will be liable for any fines or penalties resulting from your failure to comply with applicable laws.

UNITED ARAB EMIRATES
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

The Plan is only being offered to qualified Employees and is in the nature of providing equity incentives to employees of the Company’s affiliate in the UAE. Any documents related to the Plan, including the Plan, Plan prospectus and other grant documents (“Plan Documents”), are intended for distribution only to such Employees and must not be delivered to, or relied on by, any other person. Prospective participants should conduct their own due diligence on the securities. If you do not understand the contents of the Plan Documents, you should consult an authorized financial adviser.

The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any Plan Documents nor taken steps to verify the information set out in them, and thus, are not responsible for such documents.

UNITED KINGDOM
KBR, INC. 2006 STOCK AND INCENTIVE PLAN
Withholding of Taxes.

This section supplements Paragraph 5 of the Agreement:

Notwithstanding Paragraph 5 of the Agreement, you agree that if you do not pay or the Employer or the Company does not withhold from you the full amount of Tax-Related Items that you owe due to the vesting/settlement of the Performance Units, or the release or assignment of the Performance Units for consideration, or the receipt of any other benefit in connection with the Performance Units (the “Taxable Event”) within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount of income tax that should have been withheld shall constitute a loan owed by you to the Employer, effective 90 days after the Taxable Event. You agree that the loan will bear interest at Her Majesty’s Revenue & Customs (“HMRC”) official rate and will be immediately due and repayable by you, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to you by the Employer, or from the cash payment from the settlement of the Performance Units or by demanding cash or a cheque from you. You also authorize the Company to delay the issuance of any cash settlement to you unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are an officer or executive director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that you are an officer or executive director and the amount necessary to satisfy the Tax-Related Items is not collected from or paid by you within 90 days of the Taxable Event, any uncollected amounts of income tax may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You acknowledge that the Company or the Employer may recover any such additional income tax and national insurance contributions at any time thereafter by any of the means referred to in Paragraph 5 of the Agreement. You understand that you will be responsible for reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any national insurance contributions due on this additional benefit.
RESTRICTED STOCK UNIT AGREEMENT

AGREEMENT by and between KBR, Inc., a Delaware corporation (the “Company”) and ________________ (“Employee”) made effective as of ____________________ (the “Grant Date”).

1. **Grant of Restricted Stock Units.**

   (a) **Units.** Pursuant to the KBR, Inc. 2006 Stock and Incentive Plan, as amended and restated (the “Plan”), units evidencing the right to receive __________ shares of the Company’s common stock (“Stock”), are awarded to Employee, subject to the conditions of the Plan and this Agreement (the “Restricted Stock Units”).

   (b) **Plan Incorporated.** Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Restricted Stock Units shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which is incorporated herein by reference as a part of this Agreement. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

2. **Terms of Restricted Stock Units.** Employee hereby accepts the Restricted Stock Units and agrees with respect thereto as follows:

   (a) **Forfeiture of Restricted Stock Units.** In the event of termination of Employee’s employment with the Company or any employing Subsidiary of the Company for any reason other than (i) normal retirement on or after age 70, (ii) death or (iii) disability (disability being defined as being physically or mentally incapable of performing either the Employee’s usual duties as an Employee or any other duties as an Employee that the Company or employing Subsidiary reasonably makes available and such condition is likely to remain continuously and permanently, as determined by the Company or employing Subsidiary), or except as otherwise provided in the second and third sentences of subparagraph (c) of this Paragraph 2, Employee shall, for no consideration, forfeit all Restricted Stock Units to the extent they are not fully vested.

      Notwithstanding the foregoing, if the EU Employment Equality Directive (Directive 2000/78/EC) has been implemented in Employee's country of employment or residence or if the Company receives a legal opinion that there has been a legal judgment and/or legal development in Employee's jurisdiction that would likely result in the favorable retirement treatment that applies to Restricted Stock Units under the Plan being deemed unlawful and/or discriminatory, the provision above regarding termination of employment related to normal retirement on or after age seventy shall not be applicable to Employee.

   (b) **Assignment of Award.** The Restricted Stock Units may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of unless transferable by will or the laws of descent and distribution or pursuant
to a “qualified domestic relations order” as defined by the U.S. Internal Revenue Code (the “Code”).

(c) Vesting Schedule. The Restricted Stock Units shall vest in accordance with the following schedule provided that Employee has been continuously employed by the Company from the date of this Agreement through the applicable vesting date.

<table>
<thead>
<tr>
<th>Vesting Date</th>
<th>Vested Percentage of Total Number of Restricted Stock Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Anniversary of Grant Date</td>
<td>20%</td>
</tr>
<tr>
<td>2nd Anniversary of Grant Date</td>
<td>40%</td>
</tr>
<tr>
<td>3rd Anniversary of Grant Date</td>
<td>60%</td>
</tr>
<tr>
<td>4th Anniversary of Grant Date</td>
<td>80%</td>
</tr>
<tr>
<td>5th Anniversary of Grant Date</td>
<td>100%</td>
</tr>
</tbody>
</table>

Notwithstanding the foregoing, unless otherwise provided in an Other Agreement pursuant to Paragraph 11, the Restricted Stock Units shall become fully vested on the earliest of (i) the occurrence of your Involuntary Termination or termination for Good Reason within two years following a Corporate Change (as such terms are defined in the Plan), (ii) the date Employee’s employment with the Company is terminated by reason of death or disability (as determined above), or (iii) Employee’s attainment of age 70 while employed with the Company. In the event Employee’s employment is terminated for any other reason, including retirement prior to age 70 with the approval of the Company or employing Subsidiary, the Committee which administers the Plan (the “Committee”) or its delegate, as appropriate, may, in the Committee’s or such delegate’s sole discretion, approve the acceleration of the vesting of any or all Restricted Stock Units still subject to restrictions, such vesting acceleration to be effective on the date of such approval or Employee’s termination date, if later. Notwithstanding the foregoing, in no event shall the Restricted Stock Units become fully vested prior to the expiration of one month from the Grant Date.

Notwithstanding the foregoing, if the EU Employment Equality Directive (Directive 2000/78/EC) has been implemented in Employee's country of employment or residence or if the Company receives a legal opinion that there has been a legal judgment and/or legal development in Employee's jurisdiction that would likely result in the favorable retirement treatment that applies to Restricted Stock Units under the Plan being deemed unlawful and/or discriminatory, Restricted Stock Units shall not become fully vested on Employee's attainment of age seventy while still employed by the Company. Instead, Restricted Stock Units shall become fully vested when Employee's employment is terminated for any reason with at least 15 years of service at the Company or employing Subsidiary subject, however, to this being considered nondiscriminatory by legal counsel and to the Committee's (or its delegate’s) sole discretion to approve such acceleration of vesting.
(d) **Stockholder Rights.** Employee shall have no rights of a stockholder with respect to shares of Stock subject to this Award unless and until such time as the Award has been settled by the transfer of shares of Stock to Employee.

(e) **Settlement and Delivery of Shares.** Payment of vested Restricted Stock Units shall be made as soon as administratively practicable after vesting, but in no event later than thirty days after the vesting date. Settlement will be made by payment in shares of Stock. Notwithstanding the foregoing, the Company shall not be obligated to deliver any shares of Stock if counsel to the Company determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Stock is listed or quoted.

(f) **Recovery of Shares.** The Company shall seek recovery of any benefits provided hereunder to Employee if such recovery is required by any clawback policy adopted by the Company, which may be amended from time to time, including, but not limited to, any clawback policy adopted to satisfy the minimum clawback requirements adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the regulations thereunder or any other applicable law.

3. **Responsibility for Taxes.** Employee acknowledges that, regardless of any action taken by the Company, or if different, Employee’s employer (“Employer”), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Employee’s participation in the Plan and legally applicable to Employee (“Tax-Related Items”), is and remains Employee’s responsibility and may exceed the amount actually withheld by the Company and/or the Employer. Employee further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Stock acquired pursuant to such settlement and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate the Employee’s liability for Tax-Related Items or achieve any particular tax result. Further, if Employee is subject to Tax-Related Items in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, Employee agrees to pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, Employee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding from Employee’s wages or other cash compensation paid to Employee by the Company and/or the Employer; or
(b) withholding from proceeds of the sale of shares of Stock acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on Employee’s behalf pursuant to this authorization without further consent); or

(c) withholding in shares of Stock to be issued upon settlement of the Restricted Stock Units.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates, in which case Employee will receive a refund of any over-withheld amount in cash and will have no entitlement to the Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Stock, for tax purposes, Employee is deemed to have been issued the full number of shares of Stock subject to the vested Restricted Stock Units, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items.

Finally, Employee agrees to pay to the Company or the Employer, including through withholding from Employee's wages or other cash compensation paid to Employee by the Company and/or the Employer, any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Employee’s participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Stock or the proceeds of the sale of Stock, if Employee fails to comply with Employee’s obligations in connection with the Tax-Related Items.

4. **Employment Relationship.** For purposes of this Agreement, Employee shall be considered to be in the employment of the Company as long as Employee remains an employee of the Company, a Parent Corporation or Subsidiary of the Company, or a corporation or a Parent Corporation or subsidiary of such corporation assuming or substituting a new award for this Award. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, or its delegate, as appropriate, and its determination shall be final.

5. **Committee’s Powers.** No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Stock Units.

6. **Data Privacy Notice and Consent.** Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Employee’s personal data as described in this Agreement and any other Restricted Stock.
Unit grant materials by and among, as applicable, Employee’s employer, the Company, and its Subsidiaries for the exclusive purpose of implementing, administering and managing Employee’s participation in the Plan.

Employee understands that the Company and Employer may hold certain personal information about Employee, including, but not limited to, Employee’s name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Stock awarded, canceled, vested, unvested or outstanding in Employee’s favor, for the purpose of implementing, administering and managing the Plan (“Data”). Employee understands that Data will be transferred to Morgan Stanley Smith Barney or such other stock plan service provider as may be selected by the Company in the future which is assisting the Company with the implementation, administration and management of the Plan. Employee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient’s country (e.g., the United States) may have different data privacy laws and protections than Employee’s country. Employee understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting Employee’s local human resources representative. Employee authorizes the Company, Morgan Stanley Smith Barney and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering, and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form for the sole purpose of implementing, administering and managing Employee’s participation in the Plan. Employee understands that Data will be held only as long as is necessary to implement, administer and manage Employee’s participation in the Plan. Employee understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Employee’s local human resources representative. Further, Employee understands that he or she is providing the consents herein on a purely voluntary basis. If Employee does not consent, or if Employee later seeks to revoke his or her consent, Employee’s employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing Employee’s consent is that the Company would not be able to grant to Employee Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, Employee understands that refusal or withdrawal of consent may affect Employee’s ability to participate in the Plan. For more information on the consequences of Employee’s refusal to consent or withdrawal of consent, Employee understands that Employee may contact Employee’s local human resources representative.
7. **Nature of Grant.** By accepting the grant of the Restricted Stock Units, the Employee acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future awards of Restricted Stock Units, or benefits in lieu of Restricted Stock Units even if Restricted Stock Units have been awarded in the past;

(c) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Company;

(d) the grant of Restricted Stock Units and Employee’s participation in the Plan will not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any Subsidiary of the Company and shall not interfere with the ability of the Company, the Employer or any Subsidiary of the Company, as applicable to terminate Employee’s employment or service relationship (if any);

(e) Employee’s participation in the Plan is voluntary;

(f) the Restricted Stock Units and the Stock underlying the Restricted Stock Units are not intended to replace any pension rights or compensation;

(g) Restricted Stock Units and the income and value of the same are not part of normal or expected compensation for purposes of calculation of any severance, resignation, termination, redundancy or end-of-service payments, bonuses, long-service awards, pension or retirement benefits, or similar payments;

(h) the future value of the Stock is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of Restricted Stock Units resulting from Employee ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Employee is employed or the terms of Employee's employment agreement, if any) and in consideration of the grant of Restricted Stock Units to which Employee is not otherwise entitled, Employee irrevocably agrees never to institute any claim against the Company, any of its Subsidiaries or the Employer, waives Employee’s ability, if any, to bring such claim, and releases the Company, its Subsidiaries and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Employee shall be deemed irrevocably to
have agreed not to pursue such claim and agreed to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(j) in the event of termination of Employee’s employment or other services (for any reason whatsoever, whether or not later found to be invalid, or in breach of employment laws in the jurisdiction where Employee is employed or the terms of Employee's employment agreement, if any), unless otherwise provided in this Agreement or determined by the Company, Employee’s right to vest in the Restricted Stock Units under the Plan, if any, will terminate effective as of the date that Employee is no longer actively providing services and will not be extended by any notice period (e.g., active services would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where Employee is employed or the terms of Employee's employment agreement, if any); the Committee shall have the exclusive discretion to determine when Employee is no longer actively providing services for purposes of the Award (including whether Employee may still be considered to be providing services while on an approved leave of absence);

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(l) the following provisions apply only if Employee is providing services outside the United States: (i) the Restricted Stock Units and the shares of Stock subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose; and (ii) Employee acknowledges and agrees that neither the Company, the Employer nor any Subsidiary of the Company shall be liable for any foreign exchange rate fluctuation between Employee's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Employee pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any shares of Stock acquired upon settlement.

8. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Employee's participation in the Plan, or Employee's acquisition or sale of the underlying shares of Stock. Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

9. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Employee.

10. **Compliance with Law.** Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the shares of Stock, the Company shall not be
required to deliver any shares issuable upon settlement of the Restricted Stock Units prior to the completion of any registration or qualification of the shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("SEC") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. Employee understands that the Company is under no obligation to register or qualify the shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares. Further, Employee agrees that the Company shall have unilateral authority to amend the Plan and the Agreement without Employee's consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.

11. **Other Agreements.** The terms of this Agreement shall be subject to, and shall not modify, the terms and conditions of any employment, severance, and/or change-in-control agreement between the Company (or a Subsidiary) and Employee concerning equity-based awards ("Other Agreement"), except that the Restricted Stock Units shall become fully vested on Employee’s attainment of age 70 while employed with the Company or a Subsidiary, and notwithstanding anything in such Other Agreement to the contrary, any normal retirement age of 65 or other retirement-based vesting provisions in such Other Agreement shall be of no force or effect for purposes of the vesting of these Restricted Stock Units (except as provided in the last paragraph of Paragraph 2(c) above).

12. **Governing Law and Venue.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas, U.S.A., except to the extent that it implicates matters that are the subject of the General Corporation Law of the State of Delaware, which matters shall be governed by the latter law notwithstanding any conflicts of laws principles that may be applied or invoked directing the application of the laws of another jurisdiction. Exclusive venue for any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it or arising from it, or dispute resolution proceeding arising hereunder for any claim or dispute, the parties hereby submit to and consent to the sole and exclusive jurisdiction of Houston, Harris County, Texas, notwithstanding any conflicts of laws principles that may direct the jurisdiction of any other court, venue, or forum, including the jurisdiction of Employee’s home country.

13. **Language.** If Employee has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different from the English version, the English version will control.

14. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic
system established and maintained by the Company or a third party designated by the Company.

15. **Severability.** If one or more of the provisions of this Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Agreement to be construed so as to foster the intent of this Agreement and the Plan.

16. **Section 409A.** Notwithstanding anything in this Agreement to the contrary, if any provision in this Agreement would result in the imposition of an applicable tax under Section 409A of the Code and related regulations and United States Department of the Treasury pronouncements ("Section 409A"), that provision will be reformed to avoid imposition of the applicable tax and no action taken to comply with Section 409A shall be deemed to adversely affect Employee’s rights under this Agreement.

17. **Addendum.** Notwithstanding any provision in this Agreement or the Plan to the contrary, the Restricted Stock Units shall be subject to the special terms and provisions set forth in the Addendum to this Agreement for Employee’s country. Moreover, if Employee relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to Employee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

18. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Employee’s participation in the Plan, on the Restricted Stock Units and on any shares of Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

19. **Waiver.** Employee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or any subsequent breach by Employee or any other Employee.
IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and Employee has executed this Agreement, all as of the date first above written.

KBR, INC.

By: [Signature]

Employee

Addendum

KBR, INC.

Terms and Conditions of Restricted Stock Unit Grant

SPECIAL PROVISIONS OF RESTRICTED STOCK UNITS

IN CERTAIN COUNTRIES

This Addendum includes special country-specific terms that apply to residents in countries listed below. This Addendum is part of the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

This Addendum also includes information regarding exchange controls and certain other issues of which Employee should be aware with respect to Employee’s participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of February 2013. Such laws are often complex, change frequently, certain individual exchange control reporting requirements may apply upon vesting of Restricted Stock Units and/or sale of Stock and results may be different based on the particular facts and circumstances. As a result, the Company strongly recommends that Employee does not rely on the information noted herein as the only source of information relating to the consequences of Employee’s participation in the Plan because the information may be out of date at the time Employee’s Restricted Stock Units vest or Employee sells Stock acquired under the Plan.

In addition, the information is general in nature and may not apply to Employee’s particular situation, and the Company is not in a position to assure Employee of any particular result. Accordingly, Employee is advised to seek appropriate professional advice as to how the relevant laws in Employee’s country may apply to Employee’s situation.

If Employee is a citizen or resident of a country other than the country in which Employee is working, or if Employee transfers employment after the Restricted Stock Units are granted to Employee, the information contained in this Addendum for the country Employee works in at the time of grant may not be applicable to Employee and the Company, in its discretion, determines to what extent the terms and conditions contained herein shall be applicable to Employee. If Employee transfers residency and/or employment to another country or is considered a resident of another country listed in the Addendum after the Restricted Stock Units are granted to Employee, the terms and/or information contained for that new country (rather than the original grant country) may be applicable to Employee.

ALGERIA

KBR, INC. 2006 STOCK AND INCENTIVE PLAN
Restricted Stock Units Only Payable in Cash.

Due to exchange control regulations in Algeria, Employee, or in the event of Employee’s death, the Employee’s legal representative, shall receive only a cash payment in an amount equal to the value of the Stock on each vesting date, as provided in Paragraph 2(c) of the Agreement. Any provisions in the Agreement referring to the issuance of Stock pursuant to vested Restricted Stock Units shall not be applicable to Employee so long as Employee is a resident of Algeria. So long as the Employee is a resident of Algeria, Employee may not receive or hold Stock in connection with the Restricted Stock Units awarded under the Plan.

Employee acknowledges that, even though Employee receives only a cash payment upon vesting of the Restricted Stock Units, he or she may still be subject to certain exchange control requirements under local laws. The cash payment and the receipt of any dividends must be repatriated to Algeria. Employee is advised to consult with his or her personal consultant to ensure compliance with any exchange control obligations arising from Employee’s participation in the Plan.

ANGOLA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

Employee may need to obtain prior approval from the Angolan central bank prior to opening a non-Angolan bank or brokerage account and receiving Stock or proceeds from the sale of Stock into such account. Proceeds from the sale of Stock and the receipt of any dividends must be repatriated to Angola. Employee is advised to consult with his or her personal consultant to ensure compliance with any exchange control obligations arising from Employee’s participation in the Plan.

AUSTRALIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Australian Addendum.

Employee’s right to participate in the Plan and receive Restricted Stock Units granted under the Plan are subject to an Australian Addendum to the Plan. Employee’s right to receive Restricted Stock Units is subject to the terms and conditions as stated in the Australian Addendum, the specific relief instrument granted (or to be obtained) by the Australian Securities and Investment Commission, the Plan and the Agreement.

Exchange Control Information.

Exchange control reporting is required for cash transactions exceeding AUD10,000 and for international fund transfers. The Australian bank assisting with the transaction will file the report for Employee. If there is no Australian bank involved in the transfer, Employee will have to file the report.

Securities Law Information.

If Employee acquires Stock under the Plan and offers the Stock for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. Employee should obtain legal advice on disclosure obligations prior to making any such offer.

AZERBAIJAN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

Stock to be issued when Employee vests in his or her Restricted Stock Units shall be delivered to Employee through a bank or brokerage account in the U.S. Any disposition or sale of such Stock must take place outside Azerbaijan, which will be the case if the Stock is sold on the New York Stock Exchange on which the Company Stock is currently listed.

BRAZIL
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Compliance with Laws.

By accepting the Restricted Stock Units, Employee agrees that he or she will comply with Brazilian law when he or she vests in the Restricted Stock Units and sells Stock. Employee also agrees to report any and all taxes associated with the vesting of the Restricted
Stock Units, the sale of Stock acquired pursuant to the Plan and the receipt of any dividends.

Exchange Control Information.

Employee must prepare and submit a declaration of assets and rights held outside Brazil to the Central Bank on an annual basis if he or she holds assets or rights valued at more than US$100,000. The assets and rights that must be reported include Stock.

CANADA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Restricted Stock Units Payable Only in Stock.

Notwithstanding any discretion in the Plan or anything to the contrary in the Agreement, the award of Restricted Stock Units does not provide any right for Employee to receive a cash payment and shall be paid in Stock only.

Termination of Employment.

The following provision supplements Paragraph 2 of the Agreement:

In the event of Employee’s termination of employment for any reason (whether or not in breach of local labor laws), Employee’s right to vest in the Restricted Stock Units will terminate effective as of the date that is the earlier of (1) the date Employee receives notice of termination of employment from the Employer, or (2) the date Employee is no longer actively providing service, regardless of any notice period or period of pay in lieu of such notice required under applicable laws (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when the Employee is no longer actively employed for purposes of the Restricted Stock Units.

The following provisions shall apply if Employee is a resident of Quebec:

Data Privacy.

This provision supplements Paragraph 6 of the Agreement:

Employee hereby authorizes the Company and representatives of any Subsidiary to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. Employee further authorizes the Company and any Subsidiary and the administrators of the Plan to disclose and discuss the Plan with their advisors. Employee further authorizes the Company and any Subsidiary to record such information and to keep such information in Employee’s file.

Language Consent.

The parties acknowledge that it is their express wish that the Agreement, including this Addendum, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée. Les parties reconnaissent avoir expressément souhaité que la convention («Agreement») ainsi que cette Annexe, ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

CHINA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

The following provisions apply if Employee is subject to the exchange control regulations in China, as determined by the Company in its sole discretion:

Settlement of Restricted Stock Units and Sale of Stock.

Due to local regulatory requirements, upon vesting of the Restricted Stock Units, Employee agrees to the immediate sale of any Stock to be issued to him or her upon vesting and settlement of the Restricted Stock Units. Employee further agrees that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Stock (on Employee’s behalf pursuant to this authorization) and Employee expressly authorizes the Company’s designated broker to complete the sale of such Stock. Employee acknowledges that the Company’s designated broker is under no obligation to arrange for the sale of the Stock at any particular price. Upon sale of the Stock, the Company agrees to pay Employee the cash proceeds from the sale of Stock, less any brokerage fees or commissions and subject to any obligation to satisfy the Tax-Related Items.
Exchange Control Information.

Employee understands and agrees that, to facilitate compliance with exchange control requirements, Employee will be required to immediately repatriate to China the cash proceeds from the immediate sale of Stock issued upon the vesting of the Restricted Stock Units. Employee further understands that, under local law, such repatriation of the cash proceeds may need to be effectuated through a special exchange control account established by the Company or its Subsidiaries, and Employee hereby consents and agrees that the proceeds from the sale of Stock acquired under the Plan may be transferred to such special account prior to being delivered to Employee. The Company may deliver the proceeds to Employee in U.S. dollars or local currency at the Company’s discretion. If the proceeds are paid in U.S. dollars, Employee understands that he or she will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are converted to local currency, there may be delays in delivering the proceeds to Employee and due to fluctuations in the Stock trading price and/or the U.S. dollar/PRC exchange rate between the vesting/sale date and (if later) when the sale proceeds can be converted into local currency, the sale proceeds that Employee receives may be more or less than the market value of the Stock on the vesting/sale date (which is the amount relevant to determining your tax liability). Employee agrees to bear the risk of any currency fluctuation between the date the Restricted Stock Units vest and the date of conversion of the proceeds into local currency.

Employee further agrees to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in China.

INDIA

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

Employee must repatriate the proceeds from the sale of Stock and any dividends received in relation to the Stock and convert the proceeds into local currency within a reasonable timeframe (i.e., within 90 days of receipt). Employee will receive a foreign inward remittance certificate (“FIRC”) from the bank where Employee deposits the foreign currency. Employee should maintain the FIRC received from the bank as evidence of the repatriation of the funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation. It is Employee’s responsibility to comply with applicable exchange control laws in India.

Effective April 1, 2012, Employee is required to declare in his or her annual tax return (a) any foreign assets held by him or her or (b) any foreign bank accounts for which he or she has signing authority.

INDONESIA

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

If Employee remits funds into or out of Indonesia, the Indonesian Bank through which the transaction is made will submit a report on the transaction to the Bank of Indonesia for statistical reporting purposes. For transactions of US$10,000 or more, a description of the transaction must be included in the report. Although the bank through with the transaction is made is required to make the report, Employee must complete a “Transfer Report Form.” The Transfer Report Form will be provided to Employee by the bank through with the transaction is to be made.

IRAQ

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

ITALY

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Data Privacy Notice.

This section replaces Paragraph 6 of the Agreement.

Employee understands that the Employer, the Company and any Subsidiary may hold certain personal information about Employee, including, but not limited to, Employee’s name, home address and telephone number, date of birth, social insurance (to the extent permitted under Italian law) or other identification number, salary, nationality, job title, any Stock or directorships held in the Company or any Subsidiary, details of all Restricted Stock Units or other entitlement to shares of Stock granted, awarded, canceled, exercised, vested, unvested or outstanding in Employee’s favor, for the exclusive purpose of implementing, managing and administering the Plan (“Data”).
Employee also understands that providing the Company with Data is necessary for the performance of the Plan and that Employee’s refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect Employee’s ability to participate in the Plan. The Controller of personal data processing is KBR Inc., with registered offices at 601 Jefferson Street, Suite 3400, Houston, Texas 77002, U.S.A, and, pursuant to Legislative Decree no. 196/2003, its representative in Italy is Kellogg Brown & Root Projects Limited, with registered offices at Deloitte & Touche, Via Tortona 25, Milan, Italy.

Employee understands that Data will not be publicized, but it may be transferred to banks, other financial institutions, or brokers involved in the management and administration of the Plan. Employee understands that Data may also be transferred to the Company’s stock plan service provider, Morgan Stanley Smith Barney, or such other administrator that may be engaged by the Company in the future. Employee further understands that the Company and/or any Subsidiary will transfer Data among themselves as necessary for the purpose of implementing, administering and managing Employee’s participation in the Plan, and that the Company and/or any Subsidiary may each further transfer Data to third parties assisting the Company in the implementation, administration, and management of the Plan. Such recipients may receive, possess, use, retain, and transfer Data in electronic or other form, for the purposes of implementing, administering, and managing Employee’s participation in the Plan. Employee understands that these recipients may be located in or outside the European Economic Area, such as in the United States or elsewhere. Should the Company exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Data as soon as it has completed all the necessary legal obligations connected with the management and administration of the Plan.

Employee understands that Data-processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data is collected and with confidentiality and security provisions, as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003.

The processing activity, including communication, the transfer of Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require Employee’s consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration, and management of the Plan. Employee understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, Employee has the right to, including but not limited to, access, delete, update, correct, or terminate, for legitimate reason, the Data processing. Furthermore, Employee is aware that Data will not be used for direct marketing purposes. In addition, Data provided can be reviewed and questions or complaints can be addressed by contacting Employee’s local human resources representative.

**Plan Document Acknowledgment.**

In accepting the Restricted Stock Units, Employee acknowledges that he or she has received a copy of the Plan and the Agreement and has reviewed the Plan and the Agreement, including this Addendum, in their entirety and fully understands and accepts all provisions of the Plan and the Agreement, including this Addendum. Employee further acknowledges that he or she has read and specifically and expressly approves the following Paragraphs of the Agreement: Paragraph 2: Terms of the Restricted Stock Units; Paragraph 3: Responsibility for Taxes; Paragraph 4: Employment Relationship; Paragraph 7: Nature of Grant; Paragraph 10: Compliance with Law; Paragraph 12: Governing Law and Venue; Paragraph 17: Addendum; Paragraph 18: Imposition of Other Requirements and the Data Privacy Notice in this Addendum.

**Additional Tax/Exchange Control Information.**

Employee is required to report the following on Employee’s annual tax return: (1) any transfers of cash or shares to or from Italy exceeding €10,000, (2) any foreign investments or investments held outside of Italy at the end of the calendar year exceeding €10,000 if such investments (cash or Stock) may result in income taxable in Italy, and (3) the amount of the transfers to and from abroad which have had an impact during the calendar year on Employee’s foreign investments or investments held outside of Italy. Under certain circumstances, Employee may be exempt from requirement under (1) above if the transfer or investment is made through an authorized broker resident in Italy.

Starting from 2011, a tax on the value of financial assets held outside of Italy by Italian residents has been introduced. The tax will apply at an annual rate of 0.15% beginning in 2013. The taxable amount will be the fair market value of the financial assets, assessed at the end of the calendar year. For the purposes of the market value assessment, the documentation issued by the Plan broker may be used.

**JAPAN**

**KBR, INC. 2006 STOCK AND INCENTIVE PLAN**

**Offshore Assets Reporting Information.**

Employee will be required to report details of any assets (including any Stock acquired under the Plan) held outside Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15th of the following year. Employee should consult with his or her personal tax advisor as to whether the reporting obligation...
applies to him or her and whether he or she will be required to report details of any outstanding Restricted Stock Units or Stock held by him or her in the report.

KAZAKHSTAN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

If Employee is a resident of Kazakhstan, he or she will be required to notify the National Bank of Kazakhstan if the value of the Stock upon vesting of the Restricted Stock Units exceeds US$100,000. Employee is responsible for complying with applicable exchange control regulations in Kazakhstan. As the exchange control regulations in Kazakhstan may change without notice, Employee should consult a legal advisor to ensure compliance with the regulations.

KOREA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

Exchange control laws require Korean residents who realize US$500,000 or more from the sale of Stock or receipt of dividends in a single transaction are required to repatriate the proceeds to Korea within 18 months of receipt.

MEXICO
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Acknowledgement of the Agreement.

In accepting the award of Restricted Stock Units, Employee acknowledges that Employee has received a copy of the Plan, has reviewed the Plan and the Agreement in their entirety and fully understands and accepts all provisions of the Plan and the Agreement. Employee further acknowledges that Employee has read and specifically and expressly approves the terms and conditions of Paragraph 7 of the Agreement, in which the following is clearly described and established:

(1) Employee’s participation in the Plan does not constitute an acquired right.

(2) The Plan and Employee’s participation in the Plan are offered by the Company on a wholly discretionary basis.

(3) Employee’s participation in the Plan is voluntary.

(4) The Company and its Subsidiaries are not responsible for any decrease in the value of the underlying Shares.


In accepting the award of Restricted Stock Units, Employee expressly recognizes that KBR, Inc., with registered offices at 601 Jefferson Street, Suite 3400, Houston, Texas 77002, U.S.A., is solely responsible for the administration of the Plan and that Employee’s participation in the Plan and acquisition of Stock does not constitute an employment relationship between Employee and KBR, Inc. since Employee is participating in the Plan on a wholly commercial basis and Employee’s sole employer is KBR in Mexico (“KBR-Mexico”), not KBR, Inc. in the U.S. Based on the foregoing, Employee expressly recognizes that the Plan and the benefits that Employee may derive from participation in the Plan do not establish any rights between Employee and Employee’s employer, KBR-Mexico, and do not form part of the employment conditions and/or benefits provided by KBR-Mexico and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Employee’s employment.

Employee further understands that Employee’s participation in the Plan is as a result of a unilateral and discretionary decision of KBR, Inc.; therefore, KBR, Inc. reserves the absolute right to amend and/or discontinue Employee’s participation at any time without any liability to Employee.

Finally, Employee hereby declares that Employee does not reserve to Employee any action or right to bring any claim against KBR, Inc. for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and Employee therefore grants a full and broad release to KBR, Inc., its Subsidiary, branches, representation offices, its shareholders, officers, agents or legal representatives with respect to any claim that may arise.

Reconocimiento del Convenio.

Aceptando este Premio (Award), el Participante (Employee) reconoce que ha recibido una copia del Plan, que lo ha revisado como así también el Convenio en su totalidad, y comprende y está de acuerdo con todas las disposiciones tanto del Plan como del Convenio. Asimismo, el Participante reconoce que ha leído y específicamente y expresamente manifiesta la conformidad del
Participante con los términos y condiciones establecidos en la cláusula 7 de dicho Convenio, en el cual se establece claramente que:

1. La participación del Participante en el Plan de ninguna manera constituye un derecho adquirido.
2. Que el Plan y la participación del Participante en el mismo es una oferta por parte de KBR, Inc. de forma completamente discrecional.
3. Que la participación del Participante en el Plan es voluntaria.
4. Que KBR, Inc. y sus Entidades Relacionadas no son responsables por cualquier pérdida en el valor de el Premio y/o Acciones otorgadas mediante el Plan.

Reconocimiento de Ausencia de Relación Laboral y Declaración de la Política.

Aceptando este Premio, el Participante reconoce que KBR, Inc. y sus oficinas registradas en 601 Jefferson Street, Suite 3400, Houston, Texas 77002, U.S.A., es el único responsable de la administración del Plan y que la participación del Participante en el mismo y la adquisición de Acciones no constituye de ninguna manera una relación laboral entre el Participante y KBR, Inc., toda vez que la participación del Participante en el Plan deriva únicamente de una relación comercial con KBR, Inc., reconociendo expresamente que el único empleador del Participante lo es KBR en Mexico (“KBR-México”), no es KBR, Inc. en los Estados Unidos. Derivado de lo anterior, el Participante expresamente reconoce que el Plan y los beneficios que pudieran derivar del mismo no establecen ningún derecho entre el Participante y su empleador, KBR-México, y no forman parte de las condiciones laborales y/o prestaciones otorgadas por KBR-México, y expresamente el Participante reconoce que cualquier modificación al Plan o la terminación del mismo de manera alguna podrá ser interpretada como una modificación de los condiciones de trabajo del Participante.

Asimismo, el Participante entiende que su participación en el Plan es resultado de la decisión unilateral y discrecional de KBR, Inc., por lo tanto, KBR, Inc. se reserva el derecho absoluto para modificar y/o terminar la participación del Participante en cualquier momento, sin ninguna responsabilidad para el Participante.

Finalmente, el Participante manifiesta que no se reserva ninguna acción o derecho que origine una demanda en contra de KBR, Inc., por cualquier compensación o daño en relación con cualquier disposición del Plan o de los beneficios derivados del mismo, y en consecuencia el Participante otorga un amplio y total finiquito a KBR, Inc., sus Entidades Relacionadas, afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales con respecto a cualquier demanda que pudiera surgir.

NIGERIA

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

QATAR

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

RUSSIA

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

U.S. Transaction.

Any Stock issued pursuant to the Restricted Stock Units shall be delivered to Employee through a brokerage account in the U.S. Employee may hold Stock in Employee’s brokerage account in the U.S.; however, in no event will Stock issued to Employee and/or share certificates or other instruments be delivered to Employee in Russia. Employee is not permitted to make any public advertising or announcements regarding the Restricted Stock Units in Russia, or promote these to other Russian legal entities or individuals, and Employee is not permitted to sell or otherwise dispose of Stock directly to other Russian legal entities or individuals. Employee is permitted to sell Stock only on the New York Stock Exchange and only through a U.S. broker.

Exchange Control Information.
Within a reasonably short time after the sale of Stock, the cash proceeds must be initially credited to Employee through a foreign currency account at an authorized bank in Russia. After the cash proceeds are initially received in Russia, they may be further remitted to foreign banks subject to the following limitations: (i) the foreign account may be opened only for individuals; (ii) the foreign account may not be used for business activities; and (iii) the Russian tax authorities must be given notice about the opening/closing of each foreign account within one month of the account opening/closing. Employee is encouraged to contact his or her personal advisor before remitting proceeds from participation in the Plan to Russia, as exchange control requirements may change.

Securities Law Information.

These materials do not constitute advertising or an offering of securities in Russia nor do they constitute placement of the Company’s Stock in Russia. The issuance of Stock pursuant to the Restricted Stock Units described herein has not and will not be registered in Russia and hence, the Stock described herein may not be admitted or used for offering, placement or public circulation in Russia.

Data Privacy Notice and Consent.

This section replaces Section 6 of the Agreement.

Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Employee’s personal data as described in this Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, Employee’s employer, the Company, and its Subsidiaries for the exclusive purpose of implementing, administering and managing Employee’s participation in the Plan.

Employee understands that the Company and Employer may hold certain personal information about Employee, including, but not limited to, Employee’s name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Stock awarded, canceled, vested, unvested or outstanding in Employee’s favor, for the purpose of implementing, administering and managing the Plan (“Data”). Employee understands that Data will be transferred to Morgan Stanley Smith Barney or such other stock plan service provider as may be selected by the Company in the future which is assisting the Company with the implementation, administration and management of the Plan. Employee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient’s country (e.g., the United States) may have different data privacy laws and protections than Employee’s country. Employee understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the U.S. human resources representative/stock administration. Employee authorizes the Company, Morgan Stanley Smith Barney and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering, and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form for the sole purpose of implementing, administering and managing Employee’s participation in the Plan. Employee understands that Data will be held only as long as is necessary to implement, administer and manage Employee’s participation in the Plan. Employee understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Employee’s the U.S. human resources representative/stock administration. Further, Employee understands that he or she is providing the consents herein on a purely voluntary basis. If Employee does not consent, or if Employee later seeks to revoke his or her consent, Employee's employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing Employee's consent is that the Company would not be able to grant to Employee Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, Employee understands that refusal or withdrawal of consent may affect Employee’s ability to participate in the Plan. For more information on the consequences of Employee’s refusal to consent or withdrawal of consent, Employee understands that Employee may contact Employee’s the U.S. human resources representative/U.S. stock administration.

KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If Employee does not understand the contents of this document, Employee should consult his or her own advisor or an authorized financial advisor.
SINGAPORE
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Restricted Stock Units Payable Only in Stock.

Notwithstanding any discretion in the Plan or anything to the contrary in the Agreement, the Restricted Stock Units do not provide any right for Employee to receive a cash payment and shall be paid in Stock only.

Securities Law Information.

The grant of Restricted Stock Units is being made in reliance of section 273(1)(f) of the Securities and Futures Act (Cap. 289) (“SFA”) for which it is exempt from the prospectus and registration requirements under the SFA. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Employee should note that the Restricted Share Units are subject to section 257 of the SFA and Employee will not be able to make (i) any subsequent sale of the Stock in Singapore or (ii) any offer of such subsequent sale of the Stock subject to the Restricted Share Units in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA.

Director Notification Information.

If Employee is a director of a Singapore Subsidiary, Employee must notify the Singapore Subsidiary in writing within two business days of Employee receiving or disposing of an interest (e.g., Restricted Stock Units, Stock) in the Company or any Subsidiary or within two business days of Employee becoming a director if such an interest exists at the time. This notification requirement also applies to an associate director of the Singapore Subsidiary and to a shadow director of the Singapore Subsidiary (i.e., an individual who is not on the board of directors of the Singapore Subsidiary but who has sufficient control so that the board of directors of the Singapore Subsidiary acts in accordance with the “directions and instructions” of the individual).

Insider Trading Information.

Employee should be aware of the Singapore insider trading rules, which may impact the acquisition or disposal of shares or rights to Stock under the Plan. Under the Singapore insider trading rules, Employee is prohibited from acquiring or selling shares of Stock or rights to shares of Stock (e.g., Restricted Stock Units under the Plan) when Employee is in possession of information which is not generally available and which Employee knows or should know will have a material effect on the price of Stock once such information is generally available.

SOUTH AFRICA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Tax Withholding Notification.

By Employee’s acceptance of the Restricted Stock Units and the Agreement, Employee agrees to notify his or her Employer of the amount of Employee’s gain at vesting. Once the notification is made, Employee’s Employer will obtain a directive from the South African Revenue Service as to the correct amount of tax to be withheld. If Employee fails to advise Employee’s employer of any gain Employee receives, Employee may be liable for a fine. Employee will be responsible for paying any difference between the actual tax liability and the amount withheld.

Exchange Control Information.

Employee is solely responsible for complying with applicable South African exchange control regulations. Because the exchange control regulations change frequently and without notice, Employee should consult Employee’s legal advisor prior to the acquisition or sale of Stock under the Plan to ensure compliance with current regulations. It is Employee’s responsibility to comply with South African exchange control laws, and neither the Company nor the Employer will be liable for any fines or penalties resulting from failure to comply with applicable laws.

SWEDEN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

THAILAND
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.
If proceeds from the sale of Stock or the receipt of dividends are equal to or greater than US$50,000 or more in a single transaction, Employee must repatriate the proceeds to Thailand immediately upon receipt and convert the funds to Thai Baht or deposit the proceeds in a foreign currency deposit account maintained by a bank in Thailand within 360 days of remitting the proceeds to Thailand. In addition, Employee must report the inward remittance to the Bank of Thailand on a foreign exchange transaction form. If Employee fails to comply with these obligations, he or she may be subject to penalties assessed by the Bank of Thailand. Because exchange control regulations change frequently and without notice, Employee should consult his or her personal advisor before selling Stock to ensure compliance with current regulations. Employee is responsible for ensuring compliance with all exchange control laws in Thailand and neither the Company nor any of its Subsidiaries will be liable for any fines or penalties resulting from his or her failure to comply with applicable laws.

UNITED ARAB EMIRATES
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

The Plan is only being offered to qualified Employees and is in the nature of providing equity incentives to employees of the Company’s affiliate in the UAE. Any documents related to the Plan, including the Plan, Plan prospectus and other grant documents (“Plan Documents”), are intended for distribution only to such Employees and must not be delivered to, or relied on by, any other person. Prospective stockholders should conduct their own due diligence on the securities. If Employee does not understand the contents of the Plan Documents, Employee should consult an authorized financial adviser.

The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any Plan Documents nor taken steps to verify the information set out in them, and thus, are not responsible for such documents.

UNITED KINGDOM
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Withholding of Taxes.

The section supplements Paragraph 3 of the Agreement.

Notwithstanding Paragraph 3 of the Agreement, Employee agrees that if he or she do not pay or the Employer or the Company does not withhold from Employee the full amount of Tax-Related Items that Employee owes due to the vesting of the Restricted Stock Units, or the release or assignment of the Restricted Stock Units for consideration, or the receipt of any other benefit in connection with the Restricted Stock Units (the “Taxable Event”) within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount of income tax that should have been withheld shall constitute a loan owed by Employee to the Employer, effective 90 days after the Taxable Event. Employee agrees that the loan will bear interest at Her Majesty’s Revenue & Customs (“HMRC”) official rate and will be immediately due and repayable by Employee, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to Employee by the Employer, by withholding in Stock issued upon vesting and settlement of the Restricted Stock Units or from the cash proceeds from the sale of Stock or by demanding cash or a cheque from Employee. Employee also authorizes the Company to delay the issuance of any Stock to Employee unless and until the loan is repaid in full.

Notwithstanding the foregoing, if Employee is an officer or executive director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that Employee is an officer or executive director and the amount necessary to satisfy Tax-Related Items is not collected from or paid by Employee within 90 days of the Taxable Event, any uncollected amounts of income tax may constitute a benefit to Employee on which additional income tax and national insurance contributions may be payable. Employee acknowledges that the Company or the Employer may recover any such additional income tax and national insurance contributions at any time thereafter by any of the means referred to in Paragraph 3 of the Agreement. Employee acknowledges that Employee ultimately will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as appropriate) for the value of any national insurance contributions due on this additional benefit.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William P. Utt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBR, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 25, 2013

/s/ William P. Utt
William P. Utt
Chief Executive Officer
CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Susan K. Carter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBR, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 25, 2013

/s/ Susan K. Carter
Susan K. Carter
Chief Financial Officer
EXHIBIT 32.1

WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer of KBR, Inc. (the “Company”), hereby certifies that to his knowledge, on the date hereof:

a) the Form 10-Q of the Company for the period ended March 31, 2013, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/   William P. Utt
William P. Utt
Chief Executive Officer

Date: April 25, 2013
The undersigned, the Chief Financial Officer of KBR, Inc. (the “Company”), hereby certifies that to her knowledge, on the date hereof:

a) the Form 10-Q of the Company for the period ended March 31, 2013, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Susan K. Carter
Susan K. Carter
Chief Financial Officer

Date: April 25, 2013