
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, 2016
OR
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____
Commission File Number: 1-33146
-

KBR

KBR, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

20-4536774

(I.R.S. Employer Identification No.)

601 Jefferson Street, Suite 3400, Houston, Texas

(Address of principal executive offices)

77002

(Zip Code)

(713) 753-3011

(Registrant's telephone number including area code)

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.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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, 2016, there were 142,423,300 shares of KBR, Inc. Common Stock, par value \$0.001 per share, outstanding.

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Forward-Looking and Cautionary Statements

This Quarterly Report on Form 10-Q 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 on Form 10-Q 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 2015 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 Information

KBR, Inc.
Condensed Consolidated Statements of Operations
(In millions, except for per share data)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenues	\$ 996	\$ 1,436
Cost of revenues	(928)	(1,366)
Gross profit	68	70
Equity in earnings of unconsolidated affiliates	29	35
General and administrative expenses	(34)	(39)
Asset impairment and restructuring charges	(2)	(2)
Gain on disposition of assets	4	—
Operating income	65	64
Other non-operating income (expense)	(5)	6
Income before income taxes and noncontrolling interests	60	70
Provision for income taxes	(15)	(19)
Net income	45	51
Net income attributable to noncontrolling interests	(3)	(7)
Net income attributable to KBR	\$ 42	\$ 44
Net income attributable to KBR per share:		
Basic	\$ 0.30	\$ 0.30
Diluted	\$ 0.30	\$ 0.30
Basic weighted average common shares outstanding	142	145
Diluted weighted average common shares outstanding	142	145
Cash dividends declared per share	\$ 0.08	\$ 0.08

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In millions)
(Unaudited)

	<u>Three Months Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>
Net income	\$ 45	\$ 51
Other comprehensive income (loss), net of tax:		
<u>Foreign currency translation adjustments:</u>		
Foreign currency translation adjustments, net of tax	16	(58)
Reclassification adjustment included in net income	—	—
Foreign currency translation adjustments, net of taxes of \$2 and \$0	16	(58)
<u>Pension and post-retirement benefits, net of tax:</u>		
Actuarial losses, net of tax	—	—
Reclassification adjustment included in net income	6	12
Pension and post-retirement benefits, net of taxes of \$(1) and \$(2)	6	12
Other comprehensive income (loss), net of tax	22	(46)
Comprehensive income	67	5
Less: Comprehensive income attributable to noncontrolling interests	(2)	(7)
Comprehensive income (loss) attributable to KBR	\$ 65	\$ (2)

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Condensed Consolidated Balance Sheets
(In millions, except share data)

	March 31, 2016	December 31, 2015
	(Unaudited)	
Assets		
Current assets:		
Cash and equivalents	\$ 824	\$ 883
Accounts receivable, net of allowance for doubtful accounts of \$18 and \$17	583	628
Costs and estimated earnings in excess of billings on uncompleted contracts ("CIE")	222	224
Other current assets	116	109
Total current assets	1,745	1,844
Claims and accounts receivable	532	526
Property, plant, and equipment, net of accumulated depreciation of \$354 and \$352 (including net PPE of \$45 and \$48 owned by a variable interest entity)	162	169
Goodwill	344	324
Intangible assets, net of accumulated amortization of \$92 and \$91	53	35
Equity in and advances to unconsolidated affiliates	303	281
Deferred income taxes	97	99
Other assets	134	134
Total assets	\$ 3,370	\$ 3,412
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 440	\$ 438
Billings in excess of costs and estimated earnings on uncompleted contracts ("BIE")	471	509
Accrued salaries, wages and benefits	152	173
Nonrecourse project debt	10	10
Other current liabilities	240	263
Total current liabilities	1,313	1,393
Pension obligations	314	333
Employee compensation and benefits	99	105
Income tax payable	79	78
Deferred income taxes	103	94
Nonrecourse project debt	50	51
Deferred income from unconsolidated affiliates	101	100
Other liabilities	203	206
Total liabilities	2,262	2,360
KBR shareholders' equity:		
Preferred stock, \$0.001 par value, 50,000,000 shares authorized, 0 shares issued and outstanding	—	—
Common stock, \$0.001 par value, 300,000,000 shares authorized, 175,474,146 and 175,108,100 shares issued, and 142,411,295 and 142,058,356 shares outstanding	—	—
Paid-in capital in excess of par ("PIC")	2,076	2,070
Accumulated other comprehensive loss ("AOCL")	(808)	(831)
Retained earnings	626	595
Treasury stock, 33,062,851 and 33,049,744 shares, at cost	(769)	(769)
Total KBR shareholders' equity	1,125	1,065
Noncontrolling interests ("NCI")	(17)	(13)
Total shareholders' equity	1,108	1,052
Total liabilities and shareholders' equity	\$ 3,370	\$ 3,412

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows used in operating activities:		
Net income	\$ 45	\$ 51
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	9	11
Equity in earnings of unconsolidated affiliates	(29)	(35)
Deferred income tax expense	2	—
Other	8	1
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	54	3
Costs and estimated earnings in excess of billings on uncompleted contracts	5	44
Accounts payable	(9)	(102)
Billings in excess of costs and estimated earnings on uncompleted contracts	(46)	(8)
Accrued salaries, wages and benefits	(20)	—
Reserve for loss on uncompleted contracts	(16)	(37)
Payments from (advances to) unconsolidated affiliates, net	(8)	6
Distributions of earnings from unconsolidated affiliates	20	37
Income taxes payable	1	(11)
Pension funding	(10)	(11)
Net settlement of derivative contracts	(4)	(36)
Other assets and liabilities	(23)	(21)
Total cash flows used in operating activities	(21)	(108)
Cash flows used in investing activities:		
Purchases of property, plant and equipment	(3)	(1)
Acquisition of technology businesses, net of cash acquired	(22)	—
Total cash flows used in investing activities	\$ (25)	\$ (1)

KBR, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows used in financing activities:		
Payments to reacquire common stock	\$ (2)	\$ (16)
Acquisition of noncontrolling interest	—	(40)
Distributions to noncontrolling interests	(6)	(7)
Payments of dividends to shareholders	(11)	(12)
Net proceeds from issuance of common stock	—	1
Excess tax benefits from share-based compensation	1	—
Other	—	(1)
Total cash flows used in financing activities	(18)	(75)
Effect of exchange rate changes on cash	5	(28)
Decrease in cash and equivalents	(59)	(212)
Cash and equivalents at beginning of period	883	970
Cash and equivalents at end of period	\$ 824	\$ 758
Supplemental disclosure of cash flows information:		
Cash paid for interest	\$ 2	\$ 3
Cash paid for income taxes (net of refunds)	\$ 7	\$ 28
Noncash financing activities		
Dividends declared	\$ 11	\$ 12

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 . Description of Company and Significant Accounting Policies

KBR, Inc., a Delaware corporation, was formed on March 21, 2006 and is headquartered in Houston, Texas. KBR, Inc. and its wholly owned and majority-owned subsidiaries (collectively referred to herein as "KBR", "the Company", "we", "us" or "our") is an engineering, procurement, construction and services company supporting the global hydrocarbons and international government services market segments. Our capabilities include engineering, procurement, construction, construction management, technology licensing, operations, maintenance and other support services to a diverse customer base, including international and national oil and gas companies, independent refiners, petrochemical producers, fertilizer producers, manufacturers and domestic and foreign governments.

Principles of Consolidation

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of KBR and our wholly owned and majority-owned, controlled subsidiaries and variable interest entities ("VIEs") of which we are the primary beneficiary. We account for investments over which we have significant influence but not a controlling financial interest using the equity method of accounting. See Note 8 to our condensed consolidated financial statements for further discussion on our equity investments and VIEs. The cost method is used when we do not have the ability to exert significant influence. All material intercompany balances and transactions are eliminated in consolidation.

Certain prior year amounts have been reclassified to conform to the current year presentation on the condensed consolidated statements of operations, condensed consolidated balance sheets and the condensed consolidated statements of cash flows.

We have evaluated all events and transactions occurring after the balance sheet date but before the financial statements were issued and have included the appropriate disclosures.

Use of Estimates

The preparation of our condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas requiring significant estimates and assumptions by our management include the following:

- project revenues, costs and profits on engineering and construction contracts and government services contracts, including recognition of estimated losses on uncompleted contracts
- provisions for uncollectible receivables and client claims and recoveries of costs from subcontractors, vendors and others
- provisions for income taxes and related valuation allowances and tax uncertainties
- recoverability of goodwill
- recoverability of other intangibles and long-lived assets and related estimated lives
- recoverability of equity method and cost method investments
- valuation of pension obligations and pension assets
- accruals for estimated liabilities, including litigation accruals
- consolidation of VIEs
- valuation of share-based compensation

In accordance with normal practice in the construction industry, we include in current assets and current liabilities amounts related to construction contracts realizable and payable over a period in excess of one year. If the underlying estimates and assumptions upon which the financial statements are based change in the future, actual amounts may differ from those included in the accompanying condensed consolidated financial statements.

Adoption of New Accounting Standards

Consolidation . Effective January 1, 2016, we adopted Accounting Standards Update ("ASU") No. 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis, which was issued by the Financial Accounting Standards Board ("FASB") on February 18, 2015. This ASU amends the consolidation guidance for VIEs as well as general partners' investments in limited partnerships and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. ASU 2015-02 is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods. The adoption of ASU 2015-02 did not have a material impact on our financial statements.

Additional Balance Sheet Information

Other Current Assets

Included in the "other current assets" balance on our condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015 is prepaid taxes and other prepaid assets of \$59 million and \$58 million , respectively.

Other Current Liabilities

The components of "other current liabilities" on our condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015 are presented below:

<i>Dollars in millions</i>	March 31, 2016	December 31, 2015
Reserve for estimated losses on uncompleted contracts (a)	\$ 44	\$ 60
Retainage payable	48	49
Income taxes payable	54	56
Value-added tax payable	13	12
Insurance payable	10	12
Dividend payable	11	12
Other miscellaneous liabilities (b)	60	62
Total other current liabilities	<u>\$ 240</u>	<u>\$ 263</u>

(a) See Note 2 for further discussion on our reserve for estimated losses on uncompleted contracts.

(b) Included in other current miscellaneous liabilities is deferred rent of \$6 million and \$7 million as of March 31, 2016 and December 31, 2015 , respectively.

Other Liabilities

Included in the "other liabilities" balance on our condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015 is noncurrent deferred rent of \$111 million and \$114 million , respectively. Also included in the "other liabilities" balance is a payable to our former parent of \$19 million in each of the periods presented. Such amount will be paid to our former parent upon receipt of a tax refund from the United States ("U.S.") Internal Revenue Service in an amount greater than or equal to \$19 million .

Note 2 . Business Segment Information

We are organized into three core business segments and two non-core business segments. Our three core business segments focus on our core strengths in technology and consulting, engineering and construction, and government services. Our two non-core business segments are our Non-strategic Business segment, which includes businesses we intend to exit upon completion of existing contracts because they are no longer a part of our future strategic focus, and "Other", which includes our corporate expenses and general and administrative expenses not allocated to the other business segments. Each business segment excluding Other reflects a reportable segment led by a separate business segment president who reports directly to our chief operating decision maker ("CODM"). Business segment performance is evaluated by our CODM using gross profit (loss), which is defined as business segment revenues less the cost of revenues, and includes overhead directly attributable to the business segment.

Our business segments are described below.

Technology & Consulting ("T&C"). Our T&C business segment combines proprietary KBR technologies, knowledge-based services and our three specialist consulting brands, Granherne, Energo and GVA, under a single customer-facing global business. This business segment provides licensed technologies and consulting services throughout the oil and gas value chain, from wellhead to crude refining and through to specialty chemicals production. In addition to sharing many of the same customers, these brands share the approach of early and continuous customer involvement to deliver an optimal solution to meet the customer's objectives through early planning and scope definition, advanced technologies, and project lifecycle support.

Engineering & Construction ("E&C"). Our E&C business segment leverages our operational and technical excellence as a global provider of engineering, procurement, construction ("EPC"), commissioning and maintenance services for oil and gas, refining, petrochemical and chemical customers. E&C is managed on a geographic basis in order to facilitate close proximity to our customers and our people, while utilizing a consistent global execution strategy.

Government Services ("GS"). Our GS business segment focuses on long-term service contracts with annuity streams, particularly for the United Kingdom ("U.K."), Australian and U.S. governments.

Non-strategic Business. Our Non-strategic Business segment represents the operations or activities that we intend to exit upon completion of existing contracts. This segment also included businesses we exited upon sale to third parties.

Other. Our Other business segment includes our corporate expenses and general and administrative expenses not allocated to the business segments above and any future activities that do not individually meet the criteria for segment presentation.

The following table presents revenues, gross profit (loss), equity in earnings of unconsolidated affiliates and operating income (loss) by reporting segment.

Operations by Reportable Segment

<i>Dollars in millions</i>	Three Months Ended March 31,	
	2016	2015
Revenues:		
Technology & Consulting	\$ 97	\$ 72
Engineering & Construction	606	977
Government Services	210	155
Other	—	—
Subtotal	913	1,204
Non-strategic Business	83	232
Total revenues	\$ 996	\$ 1,436
Gross profit (loss):		
Technology & Consulting	\$ 17	\$ 19
Engineering & Construction	29	55
Government Services	21	(4)
Other	—	—
Subtotal	67	70
Non-strategic Business	1	—
Total gross profit (loss)	\$ 68	\$ 70
Equity in earnings of unconsolidated affiliates:		
Technology & Consulting	\$ —	\$ —
Engineering & Construction	18	21
Government Services	11	14
Other	—	—
Subtotal	29	35
Non-strategic Business	—	—
Total equity in earnings of unconsolidated affiliates	\$ 29	\$ 35
Segment operating income (loss):		
Technology & Consulting	\$ 15	\$ 17
Engineering & Construction	37	66
Government Services	30	9
Other	(22)	(28)
Subtotal	60	64
Non-strategic Business	5	—
Total segment operating income (loss)	\$ 65	\$ 64

Changes in Estimates

There are many factors that can affect the accuracy of our cost estimates and ultimately our future profitability. These include, but are not limited to, the availability and costs of resources (such as labor, materials and equipment), productivity and weather, and for unit rate and construction service contracts, the availability and detail of customer supplied engineering drawings. In the past, we have realized both lower and higher than expected margins and have incurred losses as a result of unforeseen changes in our project costs. We recognize revisions of revenues and costs in the period in which the revisions are known. This may result in the recognition of costs before the recognition of related revenue recovery, if any. However, historically, our estimates have been reasonably dependable regarding the recognition of revenues and profit on percentage of completion contracts.

Significant changes in estimates periodically result in the recognition of losses on a particular contract. We generally believe that the recognition of a contract as a loss contract is a significant change in estimate. Activity in our reserve for estimated losses on uncompleted contracts, which is a component of "other current liabilities" on our condensed consolidated balance sheets, was as follows:

<i>Dollars in millions</i>	Reserve for Estimated Losses	
Balance at December 31, 2015	\$	60
Changes in estimates on loss projects		5
Change due to progress on loss projects		(21)
Balance at March 31, 2016	\$	44
Balance at December 31, 2014	\$	159
Changes in estimates on loss projects		12
Change due to progress on loss projects		(53)
Balance at March 31, 2015	\$	118

Included in the reserve for estimated losses on uncompleted contracts is \$33 million as of March 31, 2016, primarily related to a power project in our Non-strategic Business segment that we expect to complete in 2017. Our estimates of revenues and costs at completion for the remaining power project have been, and may continue to be, impacted by our performance, the performance of our subcontractors, and the U.S. labor market. Our estimated losses at completion as of March 31, 2016 on this power project represents our best estimate based on current information. Actual results could differ from the estimates we have used to account for this power project as of March 31, 2016. At March 31, 2015, the losses on uncompleted contracts included \$65 million for two power projects in our Non-strategic Business segment and \$37 million for our seven Canadian pipe fabrication and module assembly projects in our E&C business segment.

Acquisitions, Dispositions and Other Transactions

On January 11, 2016, we acquired 100% of the outstanding common stock of three subsidiaries of Connell Chemical Industry LLC (through its subsidiary, Chematur Technologies AB): Plinke GmbH ("Plinke"), Weatherly Inc., ("Weatherly"), and Chematur Ecoplanning Oy ("Ecoplanning"). Plinke specializes in proprietary technology and specialist equipment for the purification and concentration of inorganic acids used or produced in hydrocarbon processing facilities. Weatherly provides nitric acid and ammonium nitrate proprietary technologies and services to the fertilizer market. Ecoplanning offers proprietary evaporation and crystallization technologies and specialist equipment for weak acid and base solutions. As a result of this acquisition, we can expand our technology and consulting solutions into new markets while leveraging KBR's global sales and EPC capabilities.

In accordance with FASB Accounting Standards Codification ("ASC") Topic 805, Business Combinations, we accounted for this transaction using the acquisition method. We effected the acquisition through \$25 million in cash paid to the seller, less \$3 million of acquired cash for net cash consideration of \$22 million. The consideration paid includes an escrow of \$5 million that secures the indemnification obligations of the seller and other contingent obligations related to the operation of the business. We conducted an external valuation of certain acquired assets for inclusion in our balance sheet at the date of acquisition. Assets that would not normally be recorded in ordinary operations (i.e., customer relationships and other intangibles) were recorded at their estimated fair values. The excess of preliminary purchase price over the estimated fair values of the net assets acquired was recorded as goodwill.

The goodwill of \$20 million arising from the acquisition relates primarily to future growth opportunities to extend the acquired technologies outside North America to new customers and in revamping units of the existing customer base globally. None of the goodwill is deductible for income tax purposes. Certain data necessary to complete the purchase price allocation is not yet available, and includes, but is not limited to, valuation of pre-acquisition contingencies, final tax returns that provide the underlying tax basis of assets and liabilities, and final appraisals of assets acquired and liabilities assumed. We expect to complete the purchase price allocation during the 12-month period following the acquisition date, in line with the acquisition method of accounting, during which time the value of the assets and liabilities, including any goodwill, may be revised as appropriate. This acquisition will be reported within our T&C business segment.

We recognized costs related to this acquisition of \$1 million during the quarter ended March 31, 2016.

The following table summarizes the consideration paid for this acquisition and the fair value of the assets acquired and liabilities assumed as of the acquisition date.

Dollars in millions

Fair value of total consideration transferred	\$ 25
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Tangible assets (a)	23
Intangible assets (b)	19
Liabilities (c)	(31)
Liabilities arising from contingencies (d)	(6)
Goodwill	\$ 20

- (a) Includes \$13 million of trade receivables and similar amounts due from customers and indemnification assets related to the contingent liabilities.
(b) Includes developed technology of \$10 million and customer relationships of \$7 million . These intangible assets are amortized over their estimated useful lives up to 20 years .
(c) Reflects BIE, accounts payable and other accrued liabilities (current) of \$17 million and non-current liabilities of \$14 million .
(d) Fair value reflects our best estimate of certain contingencies pending final evaluation or resolution of the matters.

As a result of this acquisition, \$10 million of revenues and \$4 million of gross profit was included in our condensed consolidated statements of operations for the quarter ended March 31, 2016 .

In February 2016, we executed agreements to establish a new joint venture within our GS business segment. See Note 8 to our condensed consolidated financial statements for information related to the establishment of this new joint venture.

Note 3 . 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 balances held by our wholly owned subsidiaries as well as cash held by joint ventures that we consolidate. Joint venture cash balances are limited to joint venture activities and are not available for other projects, general cash needs or distribution 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 distributions of earnings related to joint venture operations. However, some of the earnings distributions may be paid to other KBR entities where the cash can be used for general corporate needs.

The components of our cash and equivalents balance are as follows:

<i>Dollars in millions</i>	March 31, 2016		
	International (a)	Domestic (b)	Total
Operating cash and equivalents	\$ 143	\$ 258	\$ 401
Short-term investments (c)	286	81	367
Cash and equivalents held in joint ventures	52	4	56
Total	\$ 481	\$ 343	\$ 824

<i>Dollars in millions</i>	December 31, 2015		
	International (a)	Domestic (b)	Total
Operating cash and equivalents	\$ 177	\$ 253	\$ 430
Short-term investments (c)	293	107	400
Cash and equivalents held in joint ventures	49	4	53
Total	\$ 519	\$ 364	\$ 883

(a) Includes deposits held in non-U.S. operating accounts.

(b) Includes U.S. dollar and foreign currency deposits held in operating accounts that constitute onshore cash for tax purposes but may reside either in the U.S. or in a foreign country.

(c) Includes time deposits, money market funds, and other highly liquid short-term investments

Note 4 . Accounts Receivable

The components of our accounts receivable, net of allowance for doubtful accounts balance are as follows:

<i>Dollars in millions</i>	March 31, 2016		
	Retainage	Trade & Other	Total
Technology & Consulting	\$ —	\$ 61	\$ 61
Engineering & Construction	58	358	416
Government Services	2	76	78
Other	—	—	—
Subtotal	60	495	555
Non-strategic Business	9	19	28
Total	\$ 69	\$ 514	\$ 583

<i>Dollars in millions</i>	December 31, 2015		
	Retainage	Trade & Other	Total
Technology & Consulting	\$ —	\$ 70	\$ 70
Engineering & Construction	51	402	453
Government Services	2	75	77
Other	—	2	2
Subtotal	53	549	602
Non-strategic Business	9	17	26
Total	\$ 62	\$ 566	\$ 628

Note 5 . Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts and Billings in Excess of Costs and Estimated Earnings on Uncompleted Contracts

Our CIE balances by business segment are as follows:

<i>Dollars in millions</i>	March 31, 2016	December 31, 2015
Technology & Consulting	\$ 42	\$ 42
Engineering & Construction	103	114
Government Services	77	68
Subtotal	222	224
Non-strategic Business	—	—
Total	\$ 222	\$ 224

Our BIE balances by business segment are as follows:

<i>Dollars in millions</i>	March 31, 2016	December 31, 2015
Technology & Consulting	\$ 77	\$ 72
Engineering & Construction	300	307
Government Services	56	69
Subtotal	433	448
Non-strategic Business	38	61
Total	\$ 471	\$ 509

Unapproved change orders and claims

The amounts of unapproved change orders and claims included in determining the profit or loss on contracts are as follows:

<i>Dollars in millions</i>	2016	2015
Amounts included in project estimates-at-completion at January 1,	\$ 46	\$ 31
Changes in estimates-at-completion	10	11
Approved change orders	(26)	(3)
Amounts included in project estimates-at-completion at March 31,	\$ 30	\$ 39
Amounts recorded in revenues on a percentage-of-completion basis at March 31,	\$ 25	\$ 37

The table above excludes unapproved change orders and claims related to our unconsolidated affiliates. Our proportionate share of unapproved change orders and claims on a percentage-of-completion basis was \$51 million as of March 31, 2016 and \$77 million as of March 31, 2015 on a project in our E&C business segment.

Liquidated damages

Some of our engineering and construction contracts have schedule dates and performance obligations that if not met could subject us to penalties for liquidated damages. These generally relate to specified activities that must be completed by a set contractual date or by achievement of a specified level of output or throughput. 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 or settling claims and closing out the contract.

It is possible that liquidated damages related to several projects totaling \$7 million at March 31, 2016 and \$6 million at December 31, 2015 could be incurred if the projects are completed as currently forecasted. However, based upon our evaluation of our performance, we have concluded these liquidated damages are not probable and therefore, they have not been recognized.

Note 6 . Claims and Accounts Receivable

The components of our claims and accounts receivable account balance not expected to be collected within the next 12 months are as follows:

<i>Dollars in millions</i>	March 31, 2016	December 31, 2015
Engineering & Construction	\$ 401	\$ 400
Government Services	131	126
Total	<u>\$ 532</u>	<u>\$ 526</u>

Our E&C business segment's claims and accounts receivable includes \$401 million related to our EPC 1 arbitration. See Note 13 to our condensed consolidated financial statements under PEMEX and PEP Arbitration for further discussion.

Our GS business segment's claims and accounts receivable reflects claims filed with the U.S. government related to payments not yet received for cost incurred under various U.S. government contracts. These claims relate to de-obligated funding on certain task orders that are subject to the Form 1s discussed in Note 12 of our condensed consolidated financial statements. In addition, the claims relate to disputed costs or contracts where our costs have exceeded the U.S. government's funded value on the task order. We believe such disputed costs will be resolved in our favor at which time the U.S. government will be required to obligate funds from appropriations for the year in which resolution occurs.

Note 7 . Restructuring

In connection with our 2014 long-term strategic reorganization, we announced that we would reduce our workforce beginning December 2014. There were additional work force reductions in 2015 and 2016 to support current business levels. The employees affected by these reductions are eligible for separation benefits upon their termination and the dates have occurred or are expected to occur through 2016. The table below provides details of one-time charges associated with employee terminations based on the fair value of the termination benefits. These amounts are included in "other current liabilities" on our condensed consolidated balance sheets.

<i>Dollars in millions</i>	Severance Accrual
Balance at December 31, 2015	<u>\$ 19</u>
Charges	5
Payments	(7)
Balance at March 31, 2016	<u>\$ 17</u>
Balance at December 31, 2014	<u>\$ 21</u>
Charges	1
Payments	(8)
Balance at March 31, 2015	<u>\$ 14</u>

Note 8 . Equity Method Investments and Variable Interest Entities

We conduct some of our operations through joint ventures which operate through partnership, corporations, 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 VIEs.

The following table presents a rollforward of our equity in and advances to unconsolidated affiliates:

<i>Dollars in millions</i>	March 31, 2016	December 31, 2015
Beginning balance	\$ 281	\$ 151
Equity in earnings of unconsolidated affiliates	29	149
Distribution of earnings of unconsolidated affiliates (b)	(20)	(92)
Advances	8	(10)
Investments (a)	—	80
Foreign currency translation adjustments	2	(9)
Other	—	1
Balance before reclassification	\$ 300	\$ 270
Reclassification of excess distributions (b)	6	16
Recognition of excess distributions (b)	(3)	(5)
Ending balance	\$ 303	\$ 281

(a) In 2015, investments included a \$58 million investment in the Brown & Root Industrial Services joint venture and a \$24 million investment in EPIC Piping, and the disposition of a joint venture included in the sale of the Building Group.

(b) We receive cash dividends in excess of the carrying value of one of our investments. We have no obligation to return any portion of the cash dividends received. We record the excess dividend amount as "deferred income from unconsolidated affiliates" on our condensed consolidated balance sheets and recognize these dividends as earnings are generated by the investment.

Equity Method Investments

New Investments

U.K. Military Flying Training System ("UKMFTS") project. In February 2016, Affinity Flying Training Services Ltd. ("Affinity"), a joint venture between KBR and Elbit Systems, was awarded a service contract by a third party to procure, operate and maintain aircraft, and aircraft-related assets over an 18 -year contract period, in support of the UKMFTS project. KBR owns a 50% interest in Affinity. In addition, KBR owns a 50% interest in the two joint ventures, Affinity Capital Works and Affinity Flying Services, which provides procurement, operations and management support services under subcontracts with Affinity. KBR has provided its proportionate share of certain limited financial and performance guarantees in support of the partners' contractual obligations. The three project-related entities are VIEs; however, KBR is not the primary beneficiary of any of these entities. We account for KBR's interests in each entity using the equity method of accounting within our GS business segment. The project is funded through sponsor provided equity, subordinated debt and non-recourse third party commercial bank debt. During the first quarter ended March 31, 2016, under the terms of the subordinated debt agreement between the partners and Affinity, we advanced our proportionate share or \$14 million to meet initial working capital needs of the venture. We expect repayment on the advance and the associated interest over the term of the project. The amount is included in the "equity in and advances" balance on our condensed consolidated balance sheets as of March 31, 2016 and in "payments from (advances to) unconsolidated affiliates, net" in our condensed consolidated statement of cash flows for the three months ended March 31, 2016.

Unconsolidated Variable Interest Entities

Generally, our maximum exposure to loss is limited to our equity investment in the joint venture and any amounts payable to us for services we provided to the joint venture reduced for any unearned revenues on the projects. On the Affinity joint venture, our maximum exposure to loss is limited to our proportionate share of any amounts required to fund future losses incurred by those entities under their respective contracts with the project company. On the Aspire Defence project, in addition to the maximum exposure to loss indicated in the table below, we have exposure to any losses incurred by the construction or operating joint ventures

under their respective subcontract arrangements with the project company. Our exposure is, however, limited to our equity participation in these entities. The Ichthys liquefied natural gas ("LNG") project joint venture executes a project that has a lump sum component; in addition to the maximum exposure to loss indicated in the table below, we have an exposure to losses to the extent of our ownership percentage in the joint venture if the project exceeds the lump sum component. Our maximum exposure to loss on the EBIC Ammonia plant reflects our 65% ownership of the development corporation which owns 25% of the company that consolidates the ammonia plant. We continue to monitor our investment in this joint venture as the profitability of its operations has been impacted by the challenges related to the availability of natural gas feedstock in Egypt.

The following summarizes the total assets and total liabilities as reflected in our condensed consolidated balances sheets as well as our maximum exposure to losses related to our unconsolidated VIEs in which we have a significant variable interest but are not the primary beneficiary.

<i>Dollars in millions</i>	March 31, 2016		
	Total assets	Total liabilities	Maximum exposure to loss
Affinity project	\$ 19	\$ 3	\$ 19
Aspire Defence project	\$ 16	\$ 124	\$ 16
Ichthys LNG project	\$ 94	\$ 69	\$ 94
U.K. Road projects	\$ 34	\$ 11	\$ 34
EBIC Ammonia plant (65% interest)	\$ 36	\$ 2	\$ 22

<i>Dollars in millions</i>	December 31, 2015		
	Total assets	Total liabilities	Maximum exposure to loss
Aspire Defence project	\$ 17	\$ 121	\$ 17
Ichthys LNG project	\$ 87	\$ 63	\$ 87
U.K. Road projects	\$ 34	\$ 11	\$ 34
EBIC Ammonia plant (65% interest)	\$ 36	\$ 2	\$ 22

Related Party Transactions

We often provide engineering, construction management and other services as a subcontractor to the joint ventures in which we participate. The amounts included in our revenues represent revenues from services we provide directly to the joint ventures. For the three months ended March 31, 2016 and 2015, our revenues included \$99 million and \$73 million, respectively, related to services we provided to our joint ventures, primarily those in our E&C business segment. Under the terms of our transition services agreement ("TSA") with Brown & Root Industrial Services joint venture, we collected cash from customers and made payments to vendors and employees on behalf of the joint venture. For the three months ended March 31, 2016 we incurred approximately \$4 million of reimbursable costs under the TSA.

Amounts included in our condensed consolidated balance sheets related to services we provided to our unconsolidated joint ventures as of March 31, 2016 and December 31, 2015 are as follows:

<i>Dollars in millions</i>	March 31, 2016	December 31, 2015
Accounts receivable, net of allowance for doubtful accounts (a)	\$ 24	\$ 7
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 6	\$ 5
Billings in excess of costs and estimated earnings on uncompleted contracts	\$ 61	\$ 55
Accounts payable (b)	\$ —	\$ 9

(a) Includes a \$9 million receivable from the Brown & Root Industrial Services joint venture at March 31, 2016.

(b) Reflects a \$9 million payable to the Brown & Root Industrial Services joint venture at December 31, 2015.

Consolidated Variable Interest Entities

We consolidate VIEs if we determine we are the primary beneficiary of the project entity because we control the activities that most significantly impact the economic performance of the entity. The following is a summary of the significant VIEs where we are the primary beneficiary:

<i>Dollars in millions</i>	March 31, 2016	
	Total assets	Total liabilities
Gorgon LNG project	\$ 46	\$ 80
Escravos Gas-to-Liquids project	\$ 16	\$ 33
Fastrax Limited project	\$ 72	\$ 69

<i>Dollars in millions</i>	December 31, 2015	
	Total assets	Total liabilities
Gorgon LNG project	\$ 117	\$ 145
Escravos Gas-to-Liquids project	\$ 16	\$ 33
Fastrax Limited project	\$ 74	\$ 70

Note 9 . Pension Plans

The components of net periodic benefit cost related to pension benefits for the three months ended March 31, 2016 and 2015 were as follows:

<i>Dollars in millions</i>	Three Months Ended March 31,			
	2016		2015	
	United States	Int'l	United States	Int'l
Components of net periodic benefit cost				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	1	17	1	19
Expected return on plan assets	(1)	(23)	(1)	(24)
Recognized actuarial loss	—	7	1	13
Net periodic benefit cost	\$ —	\$ 1	\$ 1	\$ 8

For the three months ended March 31, 2016 , we have contributed approximately \$10 million of the \$41 million we expect to contribute to our international plans in 2016 .

Note 10 . Debt and Other Credit Facilities

Credit Agreement

On September 25, 2015, we entered into a new \$1 billion , unsecured revolving credit agreement (the "Credit Agreement") with a syndicate of banks replacing the previous agreement which was scheduled to mature in December 2016 . The Credit Agreement is guaranteed by certain of the Company's domestic subsidiaries, matures in September 2020 and is available for cash borrowings and the issuance of letters of credit related to general corporate needs. Subject to certain conditions, we may request (i) that the aggregate commitments under the Credit Agreement be increased by up to an additional \$500 million , and (ii) that the maturity date of the Credit Agreement be extended by two additional one-year terms.

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 1.375% to 1.75%, or (ii) a base rate plus an applicable margin of 0.375% 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 annual issuance fee of 0.125% of the face amount of a letter of credit and pays a commitment fee of 0.225% to 0.25%, per annum, on any unused portion of the commitment under the Credit Agreement based on the Company's consolidated leverage ratio. As of March 31, 2016, there were \$119 million in letters of credit and no cash borrowings outstanding.

The Credit Agreement contains customary covenants as defined by the agreement 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 \$1.2 billion plus 50% of consolidated net income for each quarter beginning September 30, 2015 and 100% of any increase in shareholders' equity attributable to the sale of equity interests, but excluding any adjustments in shareholders' equity attributable to changes in foreign currency translation adjustments. As of March 31, 2016, 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 September 25, 2015, does not 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 PEP contracts as discussed in Note 13 to our condensed consolidated financial statements). As of March 31, 2016, the remaining availability under the Distribution Cap was approximately \$686 million.

Nonrecourse Project Debt

Fasttrax Limited, a joint venture in which we indirectly own a 50% equity interest with an unrelated partner, was awarded a concession contract in 2001 with the U.K. Ministry of Defense ("MoD") to provide a Heavy Equipment Transporter Service to the British Army. See Note 8 to our condensed consolidated financial statements for further discussion on the joint venture. Under the terms of the arrangement, Fasttrax Limited operates and maintains 91 heavy equipment transporters ("HETs") for a term of 22 years. The purchase of the HETs by the joint venture was financed through two series of bonds secured by the assets of Fasttrax Limited and a bridge loan totaling approximately £84.9 million (approximately \$120 million at the exchange rate on the date of the transaction). The secured bonds are an obligation of Fasttrax Limited and are not a debt obligation of KBR as they are nonrecourse to the joint venture partners. Accordingly, in the event of a default on the notes, the lenders may only look to the assets of Fasttrax Limited for repayment. The bridge loan of approximately £12.2 million (approximately \$17 million at the exchange rate on the date of the transaction) was replaced when the joint venture partners funded their equity and subordinated debt contributions in 2005.

The secured bonds were issued in two classes consisting of Class A 3.5% Index Linked Bonds in the amount of £56 million (approximately \$79 million at the exchange rate on the date of the transaction) and Class B 5.9% Fixed Rate Bonds in the amount of £16.7 million (approximately \$24 million at the exchange rate on the date of the transaction). Semi-annual payments on both classes of bonds commenced in March 2005 and will continue through maturity in 2021. The subordinated notes payable to each of the partners initially bear interest at 11.25% increasing to 16% over the term of the notes until maturity in 2025. Semi-annual payments on the subordinated notes commenced in March 2006. For financial reporting purposes, only our partner's portion of the subordinated notes appears in the condensed consolidated financial statements.

Note 11 . Income Taxes

The effective tax rate was approximately 25% and 27% for the three months ended March 31, 2016 and 2015, respectively.

Our estimated annual rate for 2016 is 25%, which is lower than the U.S. statutory rate of 35% due to lower tax rates related to noncontrolling interests and equity in earnings of unconsolidated affiliates of approximately 9%. Our estimated annual effective rate is subject to change based on the actual jurisdictions where our 2016 earnings are generated.

There were no changes in our repatriation strategy during the three months ended March 31, 2016.

The valuation allowance for deferred tax assets as of March 31, 2016 and December 31, 2015 was \$542 million, respectively. There was no change in the valuation allowance in the three months ended March 31, 2016 and a \$1 million increase in the valuation allowance for the three months ended March 31, 2015. The valuation allowance is primarily related to foreign tax credit carryforwards, foreign and state net operating loss carryforwards and other deferred tax assets that, in the judgment of management, are not more-likely-than-not to be realized.

The reserve for uncertain tax positions included in "other liabilities" and "deferred income taxes" on our condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015 was \$258 million and \$257 million, respectively. The net increase (decrease) in the uncertain tax position for the three months ended March 31, 2016 and 2015 was \$1 million and \$(1) million, respectively.

Note 12 . U.S. Government Matters

We provide services to various U.S. governmental agencies, which include the U.S. Department of Defense ("DoD") and the Department of State. We may have disagreements or experience performance issues on our U.S. government contracts. When performance issues arise under any of these contracts, the U.S. government retains the right to pursue various remedies, including challenges to expenditures, suspension of payments, fines and suspensions or debarment from future business with the U.S. government.

Between 2002 and 2011, we provided significant support to the U.S. Army and other U.S. government agencies in support of the war in Iraq under the LogCAP III contract. We continue to support the U.S. government around the world under the LogCAP IV and other contracts. We have been in the process of closeout of the LogCAP III contract since 2011, and we expect the closeout process to continue through at least 2017. As a result of our work under LogCAP III, there are claims and disputes pending between us and the U.S. government which need to be resolved in order to close the contracts. The closeout process includes resolving objections raised by the U.S. government through a billing dispute process referred to as Form 1s and Memorandums for Record ("MFRs") and resolving results from U.S. government audits. We continue to work with the U.S. government to resolve these issues and are engaged in efforts to reach mutually acceptable resolution of these outstanding matters. However, for certain of these matters, we have filed claims with the Armed Services Board of Contract Appeals ("ASBCA") or the U.S. Court of Federal Claims ("COFC"). We also have matters related to ongoing litigation or investigations involving U.S. government contracts. We anticipate billing additional labor, vendor resolution and litigation costs as we resolve the open matters. At this time, we cannot determine the timing or net amounts to be collected or paid to close out these contracts.

Form 1s

The U.S. government has issued Form 1s questioning or objecting to costs we billed to them. We believe the amounts we have invoiced the U.S. government are in compliance with our contract terms; however, we continue to evaluate our ability to recover these amounts as new information becomes known. There were no material changes to the amounts reported in the 2015 Annual Report on Form 10-K for the period ended March 31, 2016.

Audits

In addition to reviews performed by the U.S. government through the Form 1 process, the negotiation, administration and settlement of our contracts, which primarily consist of DoD contracts, are subject to audit by the Defense Contract Audit Agency ("DCAA"). The DCAA serves in an advisory role to the Defense Contract Management Agency ("DCMA") and the DCMA is responsible for the administration of the majority of our contracts. The scope of these audits include, among other things, the validity of direct and indirect incurred costs, provisional approval of annual billing rates, approval of annual overhead rates, compliance with the Federal Acquisition Regulations ("FAR") and Cost Accounting Standards ("CAS"), compliance with certain unique contract clauses and audits of certain aspects of our internal control systems.

As of March 31, 2016, we have completed the negotiation of both direct and indirect incurred costs for the years of significant performance under LogCAP III (2003-2011). The DCAA has commenced its review of the incurred costs for 2012, and is scheduling its reviews for the years 2013 and beyond. The direct claimed cost for these years still to be reviewed was \$1 billion, which is significantly less than prior periods. The indirect costs invoiced for these years amounts to \$78 million.

Historically, we have recovered 99.9% of the direct and indirect costs we have claimed for reimbursement from the U.S. government. As a result, for the open audit years we have accrued our estimate of disallowed costs based on our historical recovery rate as a reduction to "claims and accounts receivable" and in "other liabilities" on our condensed consolidated balance sheets. Based on the information received to date, we do not believe the ongoing government audits will have a material adverse impact on our results of operations, financial position or cash flows.

As a result of the Form 1s, open audits and claims discussed above, we have accrued a reserve for unallowable costs at March 31, 2016 and December 31, 2015 of \$48 million and \$50 million, respectively, as a reduction to "claims and accounts receivable" and in "other liabilities" on our condensed consolidated balance sheet.

Investigations, Qui Tams and Litigation

The following matters relate to ongoing litigation or federal investigations involving U.S. government contracts. Many of these matters involve allegations of violations of the False Claims Act ("FCA"), which prohibits in general terms fraudulent billings to the government. Suits brought by private individuals are called "qui tams."

First Kuwaiti Trading Company arbitration. In April 2008, First Kuwaiti Trading Company ("FKTC"), one of our LogCAP III subcontractors providing housing containers, filed for arbitration with the American Arbitration Association of all its claims under various LogCAP III subcontracts. FKTC sought damages in the amount of \$134 million. After complete hearings on all of FKTC's claims, an arbitration panel awarded \$17 million and interest to FKTC for claims involving damages on lost or unreturned vehicles. In addition, we determined that we owe FKTC \$32 million in connection with other subcontracts. We paid FKTC \$19 million and will pay \$4 million on pay-when-paid terms in the contract. We have accrued amounts we believe are payable to FKTC in "accounts payable" and "other current liabilities" on our condensed consolidated balance sheets.

The remaining \$26 million owed to FKTC under contract has not been billed to the government and we will not do so until the related claims and disputes between KBR and the government over the FKTC living container contract are resolved (see Department of Justice ("DOJ") False Claims Act complaint - FKTC Containers below).

We believe any cost or damages ultimately awarded to FKTC will be billable under the LogCAP III contract. As with all costs that are billed under LogCAP III, these costs would be subject to audit by the DCAA for reasonableness. At this time, we believe that the likelihood we would incur a loss related to this matter in excess of the amounts we have accrued is remote.

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 at the Radwaniyah Palace Complex near Baghdad, Iraq. Plaintiffs are claiming unspecified damages for personal injury, death and loss of consortium by the parents. After extensive motion practice and appeals, the case is back before the U.S. District Court for the Western District of Pennsylvania for further action. KBR will continue to pursue all available jurisdictional and other dismissal options. At this time, we believe the likelihood we would incur a loss related to this matter is remote. As of March 31, 2016, no amounts have been accrued.

We believe the costs of litigation and any damages which might be awarded are either covered by insurance or will be billable under the LogCAP III contract. As with all costs that are billed under LogCAP III, these costs would be subject to audit by the DCAA for reasonableness.

Burn Pit litigation. From November 2008 through current, KBR was served with in excess of 60 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 and seeks class certification. 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. After extensive motion practice and appeals the cases are now back before the District Court in Baltimore, Maryland for further action in conformity with the Fourth Circuit's ruling on appeal. KBR will continue to pursue all available jurisdictional and other dismissal options. At this time, we believe the likelihood that we would incur a loss related to this matter is remote. As of March 31, 2016, no amounts have been accrued.

We believe any costs of litigation and any damages which might be awarded will be billable under the LogCAP III contract. As with all costs that are billed under LogCAP III, these costs would be subject to audit by the DCAA for reasonableness.

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. The majority of the cases were re-filed and consolidated into two cases, before the U.S. District Court for the Southern District of Texas and the U.S. District Court for the District of Oregon. The Oregon case was dismissed on appeal and consolidated with the case pending in the Southern District of Texas. The Texas case was then dismissed by the Court on the merits on multiple grounds including the conclusion that no one was injured and is now on appeal to the Fifth Circuit. The plaintiffs are claiming unspecified damages.

The costs of litigation and any damages which might be awarded are billable under the Restore Iraqi Oil ("RIO") contract and the related indemnity agreement described below. As with all costs that are billed under RIO, these costs would be subject to audit by the DCAA for reasonableness. At this time, we believe that the likelihood we would incur a loss related to this matter is remote.

COFC/ASBCA Claims. During the period of time since the first sodium dichromate litigation was filed, we have incurred legal defense costs that we believe are reimbursable under the related U.S. government contract. We have billed for these costs and filed claims to recover the associated costs incurred to date. 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.

After some procedural challenges, KBR's claims for payment were filed before the ASBCA. On December 23, 2014, we filed a Motion for Partial Summary Judgment asking the ASBCA to find that the sodium dichromate related incidents and litigation are within the definition of the "unusually hazardous risks" language in the 85-804 indemnity agreement. We subsequently filed a motion for summary judgment asking the ASBCA to find that the \$30 million in legal fees incurred and expensed to the date of the motion are reasonable and payable by the government to KBR pursuant to the indemnity agreement. On August 17, 2015, the ASBCA issued an order holding that KBR is entitled to reimbursement of the sodium dichromate legal fees and any resulting judgments pursuant to the 85-804 indemnity agreement. The U.S. government has withdrawn its appeal of the ASBCA's ruling and we are in discussions regarding payment of the \$30 million legal fees incurred at the time of the claim, the \$4 million incurred subsequent to the claim and for future costs to be incurred defending ourselves on this matter. All legal fees incurred to date have been expensed.

Qui tams. On the active qui tams of which we are aware, the U.S. government has joined one of them (see DOJ FCA complaint - Iraq Subcontractor below). We believe the likelihood that we would incur a loss in the qui tams the U.S. government has not joined is remote and as of March 31, 2016, no amounts have been accrued. Costs incurred in defending the qui tams cannot be billed to the U.S. government until those matters are successfully resolved in our favor. If successfully resolved, we can bill 80% of the costs to the U.S. government under the federal regulations. As of March 31, 2016, we have incurred and expensed \$11 million in legal costs to date in defending ourselves in qui tams. Five of the remaining qui tam cases either have been dismissed, are on appeal from a dismissal or are at the dismissal stage. There are two active cases as discussed below.

Barko qui tam. Relator Harry Barko, a KBR subcontracts administrator in Iraq for a year in 2004/2005, filed a qui tam lawsuit in June 2005 in the U.S. District Court for the District of Columbia (D.C.), alleging violations of the FCA by KBR and KBR subcontractors Daoud & Partners and Eamar Combined for General Trading and Contracting. The DOJ investigated Barko's allegations and elected not to intervene. The claim was unsealed in March of 2009.

Early phases of this case focused on discovery issues and we successfully sought review and reversal of two trial court's opinion on KBR's attorney client and work product privileges. After the second reversal, KBR was notified that the case has been transferred to a new District Court Judge who is now considering KBR's motion for summary judgment. We believe the likelihood that we will incur a loss related to this matter is remote, and therefore as of March 31, 2016 we have not accrued any loss provisions related to this matter.

Howard qui tam. On March 27, 2011, Geoffrey Howard filed a complaint in the U.S. District Court for the Central District of Illinois in Rock Island, IL alleging that KBR mischarged the government \$628 million for unnecessary materials and equipment. On October 7, 2014 the Department of Justice declined to intervene and the case was partially unsealed. We believe the claims lack merit and we answered and filed a motion to dismiss which was denied on October 15, 2015. The case is starting discovery. We believe the likelihood that we will incur a loss related to this matter is remote, and therefore as of March 31, 2016 we have not accrued any loss provisions related to this matter.

DOJ False Claims Act complaint - FKTC Containers. In November 2012, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Central District of Illinois in Rock Island, IL against KBR, FKTC and others, 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 U.S. government, that KBR concealed information about FKTC's costs from the U.S. 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 U.S. 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. On May 6, 2013, KBR filed a motion to dismiss and in March 2014 the motion to dismiss was denied. We filed our answer on May 2, 2014. On September 30, 2014, the District Court granted FKTC's motion to dismiss for lack of

personal jurisdiction. We expect discovery to be substantially completed in 2016. At this time, we believe the likelihood that we would incur a loss related to this matter is remote. As of March 31, 2016, no amounts have been accrued.

DOJ False Claims Act complaint - Iraq Subcontractor. In January 2014, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Central District of Illinois in Rock Island, IL, against KBR and two former KBR subcontractors alleging that three former KBR employees were offered and accepted kickbacks from these subcontractors in exchange for favorable treatment in the award and performance of subcontracts to be awarded during the course of KBR's performance of the LogCAP III contract in Iraq. The complaint alleges that as a result of the kickbacks, we submitted invoices with inflated or unjustified subcontract prices, resulting in alleged violations of the FCA and the Anti-Kickback Act. The DOJ's investigation dates back to 2004. We self-reported most of the violations and tendered credits to the U.S. government as appropriate. On May 22, 2014, FTKC filed a motion to dismiss which the U.S. government opposed. On April 22, 2014, we filed our answer and in May 2014 the U.S. government filed a Motion to Strike certain affirmative defenses and this motion was granted on March 30, 2015. We do not believe this limits KBR's ability to fully defend all allegations in this matter. As of March 31, 2016, we have accrued our best estimate of probable loss related to an unfavorable settlement of this matter in "other liabilities" on our condensed consolidated balance sheets. At this time, we believe the likelihood that we would incur a loss related to this matter in excess of the amounts we have accrued is remote. Discovery in the case will likely run well into 2016.

Note 13 . Other Commitments and Contingencies

Litigation and regulatory matters related to the Company's restatement of its 2013 annual financial statements

In re KBR, Inc. Securities Litigation . Lead plaintiffs, Arkansas Public Employees Retirement System and IBEW Local 58/NECA Funds, seek class action status on behalf of our shareholders, alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 against the Company, our former chief executive officer, our current and former chief financial officers, and our former chief accounting officer, arising out of the restatement of our 2013 annual financial statements, and seek undisclosed damages. The case is currently pending in the U.S. District Court for the Southern District of Texas, Master File No. 14-cv-01287. We filed a motion to dismiss the consolidated complaint for failure to plead particularized facts supporting a strong inference of scienter on the part of the individual defendants and the motion was denied on September 3, 2015. We intend to continue to vigorously defend against these claims. Discovery in the case has begun and is expected to continue in 2016. At this early stage, we are not yet able to determine the likelihood of loss, if any, arising from this matter.

Butorin v. Blount et al , is a shareholder derivative complaint, filed on May 27, 2014 in the U.S. District Court for the Southern District of Texas on behalf of the Company naming certain current and former members of the Company's board of directors as defendants and the Company as a nominal defendant. The complaint alleges that the named directors breached their fiduciary duties by permitting the Company's internal controls to be inadequate. On March 31, 2015, the District Court transferred the case to the U.S. District Court of Delaware. The court has approved a stay of the action pending resolution of securities litigation and that stay has not been lifted. At this early stage, we are not yet able to determine the likelihood of loss, if any, arising from this matter.

Stella Dupree and Donald Taylor v. KBR, Inc ., was filed by shareholders of the Company on May 12, 2015 in Delaware Chancery Court seeking the right to inspect and make copies of certain books and records of the Company under §220 of Delaware General Corporation Law relating primarily to the restatement of our 2013 annual financial statements. The remaining plaintiff voluntarily dismissed this case on February 26, 2016 following receipt of a limited set of documents from the Company. This matter is now resolved.

We have also received requests for information and a subpoena for documents from the Securities Exchange Commission ("SEC") regarding the restatement of our 2013 annual financial statements. We have been and intend to continue cooperating with the SEC.

PEMEX and PEP Arbitration

In 1997, Commisa, a subsidiary of KBR, Inc., entered into a contract with PEP, a subsidiary of PEMEX, the Mexican national oil company, to build offshore platforms and treatment and re-injection facilities in the Bay of Campeche, offshore Mexico. The project, known as EPC 1, 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.

PEP took possession of the facilities in March 2004 prior to the completion of our scope of work and without paying us for our work. We filed for arbitration with the International Chamber of Commerce ("ICC") in 2004 claiming recovery of damages of approximately \$323 million. PEP subsequently filed counterclaims totaling \$157 million. In December 2009, the ICC arbitration panel ruled in our favor, and we were awarded a total of approximately \$351 million including legal and administrative recovery fees as well as interest. PEP 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.

U.S. Proceedings. Collection efforts have involved multiple actions. On August 27, 2013, the U.S. District Court for the Southern District of New York entered an order stating it would confirm the award even though it had been annulled in Mexico (see Mexico proceedings discussion below). The judgment included reimbursement for sums Commisa was forced to pay from our performance bonds that PEP had previously called (see Performance Bonds discussion below). PEP filed a notice of appeal to the U.S. Court of Appeals for the Second Circuit on October 16, 2013 and posted \$465 million cash as security for the judgment pending appeal. Oral argument on the appeal was held on November 20, 2014. The U.S. government was invited to file a brief and did so, and the parties have filed responses to the U.S. government's brief. We continue to await the Court's ruling on the matter. There has been no indication as to when a decision will be reached and we are not aware of any factors preventing a decision from being reached. PEP could seek rehearing at the court of appeals and a review by the U.S. Supreme Court. At this time, we are unable to predict the timing of any ruling or resolution concerning this matter.

Mexico Proceedings. PEP's initial multiple attempts to nullify the award in Mexico were rejected by the Mexican courts. However, in September 2011, the Collegiate Court ruled that PEP, by administratively rescinding the contract in 2004, deprived the arbitration panel of jurisdiction and the award was null and void.

Other Proceedings. Commisa also initiated collection proceedings in Luxembourg and sought to collect under the North American Free Trade Agreement, the latter of which has been denied pending collection efforts in the U.S. and in Luxembourg.

Performance Bonds

We had provided approximately \$80 million in performance bonds to PEP 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 recovery on the bonds by PEP was precluded. Notwithstanding, PEP filed an action in Mexico in June 2010 against the Mexican bond company to collect the bonds. On June 17, 2013, after proceedings in multiple Mexican courts, we were required to pay \$108 million to the Mexican bond company. The \$108 million consists of the \$80 million in outstanding bonds, plus \$26 million in related interest and other expenses and \$2 million in legal and banking fees. These sums were added to the judgment entered by the Federal Court in New York as discussed above.

Consistent with our treatment of probable claim recoveries, we have recorded \$401 million of the ICC arbitration award, net of advances, in "claims and accounts receivable" on the condensed consolidated balance sheets. PEP has posted \$465 million in cash collateral in the U.S. under the control of the Federal District Court in New York. In addition we have taken action to attach assets in Luxembourg as additional protection to collect on the ICC arbitration award. Although it is possible we could resolve and collect the amounts due from PEP in the next 12 months, we believe the timing of the collection of the award is uncertain; therefore, consistent with our prior practice, as of March 31, 2016, we continue to classify the amount recorded for financial reporting purposes due from PEP as long term.

Other Matters

Recently, there have been news reports related to Unaoil, a Monaco based company, and activities Unaoil may have engaged in related to international projects involving several global companies, including KBR. It has also been reported that the U.S. DOJ is conducting an investigation of Unaoil related to the information reported in these news articles. The DOJ has contacted the Company in connection with that investigation and the Company is cooperating with its requests for information.

Note 14 . Shareholders' Equity

The following tables summarize our activity in shareholders' equity:

<i>Dollars in millions</i>	Total	PIC	Retained Earnings	Treasury Stock	AOCL	NCI
Balance at December 31, 2015	\$ 1,052	\$ 2,070	\$ 595	\$ (769)	\$ (831)	\$ (13)
Share-based compensation	6	6	—	—	—	—
Tax benefit increase related to share-based plans	1	1	—	—	—	—
Dividends declared to shareholders	(11)	—	(11)	—	—	—
Repurchases of common stock	(2)	—	—	(2)	—	—
Issuance of ESPP shares	1	(1)	—	2	—	—
Distributions to noncontrolling interests	(6)	—	—	—	—	(6)
Net income	45	—	42	—	—	3
Other comprehensive income (loss), net of tax	22	—	—	—	23	(1)
Balance at March 31, 2016	\$ 1,108	\$ 2,076	\$ 626	\$ (769)	\$ (808)	\$ (17)

<i>Dollars in millions</i>	Total	PIC	Retained Earnings	Treasury Stock	AOCL	NCI
Balance at December 31, 2014	\$ 935	\$ 2,091	\$ 439	\$ (712)	\$ (876)	\$ (7)
Acquisition of noncontrolling interest	(40)	(40)	—	—	—	—
Share-based compensation	5	5	—	—	—	—
Common stock issued upon exercise of stock options	1	1	—	—	—	—
Dividends declared to shareholders	(12)	—	(12)	—	—	—
Repurchases of common stock	(16)	—	—	(16)	—	—
Issuance of ESPP shares	1	(1)	—	2	—	—
Distributions to noncontrolling interests	(7)	—	—	—	—	(7)
Net income	51	—	44	—	—	7
Other comprehensive income, net of tax	(46)	—	—	—	(46)	—
Balance at March 31, 2015	\$ 872	\$ 2,056	\$ 471	\$ (726)	\$ (922)	\$ (7)

Accumulated other comprehensive loss, net of tax

<i>Dollars in millions</i>	March 31,	
	2016	2015
Accumulated foreign currency translation adjustments, net of tax of \$3 and \$3	\$ (252)	\$ (261)
Pension and post-retirement benefits, net of tax of \$207 and \$230	(554)	(658)
Fair value of derivatives, net of tax of \$0 and \$0	(2)	(3)
Total accumulated other comprehensive loss	\$ (808)	\$ (922)

Changes in accumulated other comprehensive loss, net of tax, by component

<i>Dollars in millions</i>	Accumulated foreign currency translation adjustments	Accumulated pension liability adjustments	Changes in fair value of derivatives	Total
Balance at December 31, 2015	\$ (269)	\$ (560)	\$ (2)	\$ (831)
Other comprehensive income adjustments before reclassifications	17	—	—	17
Amounts reclassified from accumulated other comprehensive income	—	6	—	6
Balance at March 31, 2016	\$ (252)	\$ (554)	\$ (2)	\$ (808)

<i>Dollars in millions</i>	Accumulated foreign currency translation adjustments	Accumulated pension liability adjustments	Changes in fair value of derivatives	Total
Balance at December 31, 2014	\$ (203)	\$ (670)	\$ (3)	\$ (876)
Other comprehensive income adjustments before reclassifications	(58)	—	—	(58)
Amounts reclassified from accumulated other comprehensive income	—	12	—	12
Balance at March 31, 2015	\$ (261)	\$ (658)	\$ (3)	\$ (922)

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

<i>Dollars in millions</i>	Three Months Ended March 31,		Affected line item on the Condensed Consolidated Statements of Operations
	2016	2015	
Accumulated pension liability adjustments			
Amortization of actuarial loss (a)	\$ (7)	\$ (14)	See (a) below
Tax benefit	1	2	Provision for income taxes
Net pension and post-retirement benefits	\$ (6)	\$ (12)	Net of tax

(a) This item is included in the computation of net periodic pension cost. See Note 9 to our condensed consolidated financial statements for further discussion.

Note 15 . Share Repurchases

Authorized Share Repurchase Program

On February 25, 2014, our Board of Directors authorized a plan to repurchase up to \$350 million of our outstanding common shares, which replaced and terminated the August 26, 2011 share repurchase program. The authorization does not obligate the Company to acquire any particular number of common shares and may be commenced, suspended or discontinued without prior notice. The share repurchases are intended to be funded through the Company's current and future cash and the authorization does not have an expiration date.

Share Maintenance Programs

Stock options and restricted stock awards granted under the KBR Stock and Incentive Plan may be satisfied using shares of our authorized but unissued common stock or our treasury share account.

The Employee Stock Purchase Plan ("ESPP") allows eligible employees to withhold up to 10% of their earnings, subject to some limitations, to purchase shares of KBR common stock. These shares are issued from our treasury share account.

Withheld to Cover Program

In addition to the plans above, we also have in place a "withheld to cover" program, which allows us to withhold ordinary shares from employees in connection with the settlement of income tax and related benefit withholding obligations arising from the issuance of share based equity awards under the KBR Stock and Incentive Plan.

The table below presents information on our share repurchases activity under these programs:

	Three Months Ended March 31, 2016		
	Number of Shares	Average Price per Share	Dollars in Millions
Repurchases under the \$350 million authorized share repurchase program	—	\$ —	\$ —
Repurchases under the existing share maintenance programs	—	—	—
Withheld to cover shares	118,036	13.81	2
Total	118,036	\$ 13.81	\$ 2

	Three Months Ended March 31, 2015		
	Number of Shares	Average Price per Share	Dollars in Millions
Repurchases under the \$350 million authorized share repurchase program	604,032	\$ 15.14	\$ 9
Repurchases under the existing share maintenance programs	359,382	15.49	5
Withheld to cover shares	108,276	16.34	2
Total	1,071,690	\$ 15.38	\$ 16

Note 16 . 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:

<i>Shares in millions</i>	Three Months Ended March 31,	
	2016	2015
Basic weighted average common shares outstanding	142	145
Stock options and restricted shares	—	—
Diluted weighted average common shares outstanding	142	145

For purposes of applying the two-class method in computing income per share, there were \$0.3 million net earnings allocated to participating securities, or a negligible amount per share, for the three months ended March 31, 2016, and \$0.3 million for the three months ended March 31, 2015. The diluted income per share calculation did not include 3.3 million and 3.5 million antidilutive weighted average shares for the three months ended March 31, 2016 and March 31, 2015, respectively.

Note 17 . Financial Instruments and Risk Management

Foreign currency risk. We conduct business globally in numerous currencies and are therefore exposed to foreign currency fluctuations. We may use derivative instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. We do not use derivative instruments for speculative trading purposes. We generally utilize foreign exchange forwards and currency option contracts to hedge exposures associated with forecasted future cash flows and to hedge exposures present on our balance sheet.

As of March 31, 2016 , the gross notional value of our foreign currency exchange forwards and option contracts used to hedge balance sheet exposures was \$88 million , all of which had durations of 8 days or less. We also had approximately \$21 million (notional value) of foreign currency hedges which had durations of approximately 21 months or less.

The fair value of our balance sheet and cash flow hedges included in "other current assets" and "other current liabilities" on our condensed consolidated balance sheets was immaterial at March 31, 2016 and December 31, 2015 , respectively. These fair values of our derivatives are considered Level 2 under ASC 820 - Fair Value Measurement as they are based on quoted prices directly observable in active markets.

The following table summarizes the recognized changes in fair value of our balance sheet hedges offset by remeasurement of balance sheet positions. These amounts are recognized in our condensed consolidated statements of operations for the periods presented. The net of our changes in fair value of hedges and the remeasurement of our assets and liabilities is included in "other non-operating income (expense)" on our condensed consolidated statements of operations.

<u>Gains (losses) dollars in millions</u>	March 31,	December 31,
	2016	2015
Balance sheet hedges - fair value	\$ (2)	\$ (40)
Balance sheet position - remeasurement	6	50
Net	\$ 4	\$ 10

Note 18 . Recent Accounting Pronouncements

On March 31, 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting. The new standard is intended to simplify several aspects of the accounting for share-based payment transactions including (a) the income tax consequences (b) classification of awards as either equity or liabilities and (c) classification on the statement of cash flows. This ASU is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is permitted. The application of the amendments requires various transition methods depending on the specific item. We are currently in the process of assessing the impact of this ASU on our financial statements. We have not yet determined the effect of the standard on our ongoing financial reporting or the future impact of adoption on known trends, demands, uncertainties and events in our business.

On February 25, 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for all leases with terms longer than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. This ASU is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods. Early adoption is permitted. We are currently in the process of assessing the impact of this ASU on our financial statements. We have not yet determined the effect of the standard on our ongoing financial reporting or the future impact of adoption on known trends, demands, uncertainties and events in our business.

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. This ASU supersedes the revenue recognition requirements in ASC 605 - Revenue Recognition and most industry-specific guidance throughout the Codification. The standard requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 was initially effective for annual and interim reporting periods beginning after December 15, 2016. Subsequent amendments have been issued as follows:

On August 12, 2015, the FASB issued ASU No. 2015-14 which approved a one year deferral of the effective date of this standard. The FASB also approved changes allowing for early adoption of the standard as of the original effective date. The revised effective date for the ASU is January 1, 2018, and can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application.

On March 17, 2016, the FASB issued ASU No. 2016-08 to amend and clarify the principal versus agent considerations under the new revenue recognition standard. Specifically, an entity is required to determine whether the nature of a promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). The determination influences the timing and amount of revenue recognition.

On April 14, 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing. The amendments improve the guidance for determining whether the promised goods or services are separately identifiable and also provide implementation guidance on determining whether an entity's promise to grant a license provides a customer with either a right to use the entity's intellectual property (which is satisfied at a point in time) or a right to access the entity's intellectual property (which is satisfied over time).

We intend to apply the modified retrospective method of adoption with the cumulative effect of adoption recognized at the date of initial application. We are in the process of assessing the impact of the adoption of ASU 2014-09, ASU 2016-08 and ASU 2016-10 on our financial statements. We have not yet determined the effect of the adoption on our ongoing financial reporting or the future impact of adoption on known trends, demands, uncertainties and events in our business.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

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 2015 Annual Report on Form 10-K.

Overview

Our business is organized into three core and two non-core business segments as follows:

Core business segments

- Technology & Consulting ("T&C")
- Engineering & Construction ("E&C")
- Government Services ("GS")

Non-core business segments

- Non-strategic Business
- Other

Each business segment excluding "Other" reflects a reportable segment led by a separate business segment president who reports directly to our chief operating decision maker ("CODM"). See additional information on our business segments in Note 2 to our condensed consolidated financial statements.

Business Environment

Our portfolio includes process technologies, energy project technical consulting, engineering, program management, construction, asset life cycle solutions and other related services. We provide these services to a wide range of customers across the hydrocarbons value chain and to various international and United States ("U.S.") governmental agencies. The demand for our services depends on the level of capital and operating expenditures of our customers, which is often considered against prevailing market conditions and the availability of resources to support and fund projects. The significant decline in commodity prices has resulted in some of our oil and gas customers taking steps to defer, suspend or terminate capital expenditures.

Upstream oil projects have experienced the largest reductions in capital expenditures, as the effect of declining oil prices has been more pronounced in this sector. We continue to see other opportunities in the hydrocarbons market, including midstream gas projects such as liquefied natural gas ("LNG") to satisfy future demand, and across the downstream sector, which will benefit from low feedstock prices. We believe that success in gas monetization, specifically LNG, is driven by the fundamental economic profile of each individual project and requires the same focus in the selection of sustainable solutions. To deliver positive outcomes in these areas we collaborate with our customers using integrated teams, from project conceptualization and technical solutions selection through project award and implementation.

The current environment of low feedstock and energy prices has created strong downstream infrastructure investment in the U.S. Continued investment in the U.S. downstream market is expected to be supported, under the current market conditions, by international demand for petrochemicals and byproducts, derived from low natural gas prices. We expect investors to continue to reevaluate international downstream infrastructure investments for opportunities in the U.S. that offer low feedstock (i.e. natural gas) for their projects.

We expect continued opportunities within our global GS business as we drive higher value and lower cost solutions to support governments' increasing training needs, operation, maintenance and sustainment requirements. International tensions are also likely to contribute to increased demand for our international military support services.

We believe KBR has a balanced portfolio of upstream, midstream and downstream solutions as well as recurring government services outsourcing opportunities, which together provide us with less exposure to the oil price declines than some of our peers.

Three months ended March 31, 2016 compared to the three months ended March 31, 2015

Overview of Financial Results

For the first quarter of 2016, we continued our progression towards achieving the company's 2016 strategic objectives as laid out at the company's analyst and investor day on December 11, 2014, including \$200 million in annualized savings split between corporate general and administrative expenses and overhead within each of the business segments. We generated revenues of \$996 million and net income attributable to KBR of \$42 million. Highlights in the quarter include increasing our identified and actioned savings to \$180 million across the company, ongoing successful execution of two major LNG projects in Australia, securing a major contract award with a joint venture partner in support of the United Kingdom ("U.K.") Ministry of Defence's ("MoD") Military Flying Training Systems program, finalization of our acquisition of three leading technology companies from Chematur Technologies AB, a subsidiary of Connell Chemical Industry LLC, and the successful completion of a large change order on a project in the Middle East.

Our E&C business segment, where our focus is large engineering, procurement and construction ("EPC") projects, including offshore oil and gas; onshore oil and gas; LNG and gas-to-liquids; refining; petrochemical; chemicals; and industrial services, generated revenues of \$606 million and gross profits plus equity in earnings of \$47 million. We continue to successfully execute two major LNG projects in Australia. One of the major LNG projects is nearing completion and we have initiated close-out activities on this project. Our E&C business was negatively impacted by a net \$4 million charge related to an increase in estimated costs to complete an EPC ammonia project in the U.S., partially offset by a favorable settlement of certain claims on another EPC project in the portfolio. While the global hydrocarbons market remains difficult for this business segment, we continue to pursue opportunities in our target markets, including expanding our Brown & Root Industrial Services model globally through additional strategic joint ventures with partners who can contribute local expertise in a given geographic location.

Our GS business segment, where we focus on long term service contracts with annuity streams particularly for the governments of the U.K., Australia and U.S., generated revenues of \$210 million and gross profits plus equity in earnings of \$32 million. Gross profits plus equity in earnings increased by \$22 million compared to \$10 million in 2015. The improved results were driven by successful completion of a change order on a project in the Middle East and growth on LogCAP IV and other international operating base contracts in support of the U.S. military. We have secured with our joint venture partner a £500 million contract to support the U.K. MoD Military Flying Training Systems program and are well positioned for a second large-scale contract with the U.K. MoD. This segment of our business continues to be adversely impacted by legal fees associated with LogCAP III and Restore Iraqi Oil ("RIO") legacy projects executed during the Iraq wars. However, we continue to make ongoing progress towards resolving the legal issues and recovering legal costs associated with these legacy projects.

Our T&C business segment generated revenues of \$97 million and gross profits of \$17 million for the first quarter of 2016 compared to revenues of \$72 million and gross profits of \$19 million in the first quarter of 2015. Sales of proprietary equipment were especially strong in the quarter which contributed to the increased revenues and adversely impacted margins. During the quarter, we acquired three leading technology companies from Chematur Technologies AB, a subsidiary of Connell Chemical Industry Co., Ltd. This acquisition will expand our technology portfolio and increase the growth opportunities for this segment. Integration of these companies into KBR is expected to be completed in the third quarter of 2016.

The information below is an analysis of our consolidated results for the three months ended March 31, 2016. See Results of Operations by Business Segment below for additional information describing the performance of each of our reportable segments.

Revenues	Three Months Ended March 31,			
			2016 vs. 2015	
<i>Dollars in millions</i>	2016	2015	\$	%
Revenues	\$ 996	\$ 1,436	\$ (440)	(31)%

The decrease in consolidated revenues primarily resulted from the deconsolidation of our Industrial Services Americas business in the third quarter of 2015, which is now part of our Brown & Root Industrial Services joint venture, and reduced activity on one of the major LNG projects in Australia within our E&C business segment. The sale of the Building Group in the second quarter of 2015 and the completion of two power projects within our Non-strategic Business segment also drove revenues lower. This decrease was partially offset by the expansion of existing contracts within our GS business segment as well as the impact of new acquisitions and increased proprietary equipment sales within our T&C business segment.

Gross Profit

<i>Dollars in millions</i>	Three Months Ended March 31,			
			2016 vs. 2015	
	2016	2015	\$	%
Gross profit	\$ 68	\$ 70	\$ (2)	(3)%

The decrease in consolidated gross profit was primarily due to reduced activity on one of our major LNG projects in Australia and the deconsolidation of our Industrial Services Americas business in the third quarter of 2015 within our E&C business segment. The decrease was partially offset by the impact of the revenue drivers in our GS and T&C business segments discussed above.

Equity in Earnings of Unconsolidated Affiliates

<i>Dollars in millions</i>	Three Months Ended March 31,			
			2016 vs. 2015	
	2016	2015	\$	%
Equity in earnings of unconsolidated affiliates	\$ 29	\$ 35	\$ (6)	(17)%

The decrease in equity in earnings of unconsolidated affiliates was due to the substantial completion of construction activities on a joint venture project within our GS business segment as well as decreased progress on an LNG project joint venture in Australia within our E&C business segment partially offset by increased earnings on our offshore maintenance joint venture in Mexico also in our E&C business segment.

General and Administrative Expenses

<i>Dollars in millions</i>	Three Months Ended March 31,			
			2016 vs. 2015	
	2016	2015	\$	%
General and administrative expenses	\$ (34)	\$ (39)	\$ (5)	(13)%

The decrease in general and administrative expenses was primarily due to reduced overhead costs resulting from headcount reductions and other cost savings initiatives. General and administrative expenses in the first quarter of 2016 and 2015 included \$22 million and \$28 million, respectively, related to corporate activities and \$12 million and \$11 million, respectively, related to the business segments.

Gain on Disposition of Assets

<i>Dollars in millions</i>	Three Months Ended March 31,			
			2016 vs. 2014	
	2016	2015	\$	%
Gain on disposition of assets	\$ 4	\$ —	\$ 4	100%

The gain on disposition of assets primarily reflects working capital adjustments associated with the sale of our Infrastructure Americas business within our Non-strategic Business segment.

Non-operating Income (expense)

<i>Dollars in millions</i>	Three Months Ended March 31,			
			2016 vs. 2015	
	2016	2015	\$	%
Non-operating income (expense)	\$ (5)	\$ 6	\$ (11)	(183)%

Non-operating income (expense) includes interest income, interest expense, foreign exchange gains and losses and other non-operating income or expense items. This decrease was primarily due to unfavorable changes in foreign exchange rates in the first quarter of 2016.

Provision for Income Taxes

<i>Dollars in millions</i>	Three Months Ended March 31,			
			2016 vs. 2015	
	2016	2015	\$	%
Income before income taxes and noncontrolling interests	\$ 60	\$ 70	\$ (10)	(14)%
Provision for income taxes	\$ (15)	\$ (19)	\$ (4)	(21)%

Our provision for income taxes for the first quarter of 2016 reflects a 25% tax rate. The 2016 provision for income taxes is lower than the 2015 period provision primarily due to lower income before provision for income taxes. See Note 11 to our condensed consolidated financial statements for an explanation of our effective tax rates for the first quarter of 2016 .

Net Income Attributable to Noncontrolling Interests

<i>Dollars in millions</i>	Three Months Ended March 31,			
			2016 vs. 2015	
	2016	2015	\$	%
Net income attributable to noncontrolling interests	\$ (3)	\$ (7)	\$ (4)	(57)%

The decrease in net income attributable to noncontrolling interests was primarily due to reduced joint venture earnings resulting from the substantial completion of one of the major LNG projects in Australia in our E&C business segment.

Results of Operations by Business Segment

We analyze the financial results for each of our five business segments. The business segments presented are consistent with our reportable segments discussed in Note 2 to our condensed consolidated financial statements.

<i>Dollars in millions</i>	Three Months Ended March 31,	
	2016	2015
Revenues		
Technology & Consulting	\$ 97	\$ 72
Engineering & Construction	606	977
Government Services	210	155
Other	—	—
Subtotal	913	1,204
Non-strategic Business	83	232
Total	\$ 996	\$ 1,436
Gross profit (loss)		
Technology & Consulting	\$ 17	\$ 19
Engineering & Construction	29	55
Government Services	21	(4)
Other	—	—
Subtotal	67	70
Non-strategic Business	1	—
Total	\$ 68	\$ 70
Equity in earnings of unconsolidated affiliates		
Technology & Consulting	\$ —	\$ —
Engineering & Construction	18	21
Government Services	11	14
Other	—	—
Subtotal	29	35
Non-strategic Business	—	—
Total	\$ 29	\$ 35
Total general and administrative expenses	\$ (34)	\$ (39)
Asset impairment and restructuring charges	\$ (2)	\$ (2)
Gain on disposition of assets	\$ 4	\$ —
Total operating income	\$ 65	\$ 64

Technology & Consulting

T&C revenues increased by \$25 million , or 35% , to \$97 million in the first quarter of 2016 compared to \$72 million in the first quarter of 2015 due to an increase in proprietary equipment sales and \$10 million in revenue related to the acquisition of three technology companies in the first quarter of 2016. The increase was partially offset by a reduction in awards of new consulting contracts from upstream oil projects.

T&C gross profit decreased by \$2 million , or 11% , to \$17 million in the first quarter of 2016 compared to \$19 million in the first quarter of 2015 . The decrease was due to a reduction in new consulting project awards partially offset by the impact of the technology acquisitions discussed above.

Engineering & Construction

E&C revenue decreased by \$371 million , or 38% , to \$606 million in the first quarter of 2016 compared to \$977 million in the first quarter of 2015 . This decrease was primarily due to the elimination of revenues resulting from the sale and resultant deconsolidation of our Industrial Services Americas business during the third quarter of 2015 and reduced activity on several projects including one of the major LNG projects in Australia . This was partially offset by the impact of new activity or progress on projects in North America and Europe.

E&C gross profit decreased by \$26 million , or 47% , to \$29 million in the first quarter of 2016 compared to \$55 million in the first quarter of 2015 . This decrease was primarily due to the deconsolidation and reduced activity discussed above as well as losses on a petrochemical project in the U.S. This was offset by a favorable settlement of certain claims on an LNG project in Africa.

E&C equity in earnings of unconsolidated affiliates decreased by \$3 million , or 14% , to \$18 million in the first quarter of 2016 compared to \$21 million in the first quarter of 2015 . This decrease was primarily due to lower earnings on an LNG project joint venture in Australia offset by improved vessel utilization on our offshore maintenance joint venture in Mexico as well as increased earnings from our ammonia plant joint venture in Egypt due to the renewed availability of natural gas feedstock.

Government Services

GS revenues increased by \$55 million , or 35% , to \$210 million in the first quarter of 2016 compared to \$155 million in the first quarter of 2015 . This increase was primarily driven by the expansion of existing U.S. government contracts and the approval of a change order on a road construction project in the Middle East in the first quarter of 2016 .

GS gross profit increased by \$25 million , or 625% , to \$21 million in the first quarter of 2016 compared to a gross loss of \$4 million in the first quarter of 2015 . The increase in gross profit was attributable to the approved change order and expansion of U.S. government contracts discussed above.

GS equity in earnings of unconsolidated affiliates decreased by \$3 million , or 21% , to \$11 million in the first quarter of 2016 compared to \$14 million in the first quarter of 2015 primarily due to the impact of increased equity earnings from of a U.K. MoD construction project in the first quarter of 2015 that was nearing completion in early 2016 .

Non-strategic Business

Non-strategic Business revenue decreased by \$149 million , or 64% , to \$83 million in the first quarter of 2016 compared to \$232 million in the first quarter of 2015 . This decrease was due to the elimination of revenues resulting from the sale of the Building Group and the Infrastructure Americas business in the second and fourth quarters of 2015 , respectively, as well as the completion of two power projects and North American construction projects during 2015 .

Non-strategic Business gross profit increased by \$1 million to a profit of \$1 million in the first quarter of 2016 compared to less than \$1 million in the first quarter of 2015 . This increase was primarily due to net reductions in costs and successful completion of change orders on two power projects.

Changes in Estimates

Information relating to our changes in estimates is discussed in Note 2 to our condensed consolidated financial statements.

Backlog of Unfilled Orders

Backlog generally represents the dollar amount of revenues we expect to realize in the future as a result of performing work on contracts and our pro-rata share of work to be performed by unconsolidated joint ventures. We generally include total expected revenues in backlog when a contract is awarded under a legally binding commitment. In many instances, arrangements included in backlog are complex, nonrepetitive and may fluctuate depending on estimated revenues and contract duration. Where contract duration is indefinite and clients can terminate for convenience at any time without having to compensate us for periods beyond the date of termination, projects included in backlog are limited to the estimated amount of expected revenues 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 the value of our services of each project in backlog. For long term contracts associated with the U.K. government's privately financed initiatives or projects ("PFIs") where the client is obligated to pay us certain amounts spanning periods beyond five years even if the client terminates the contracts for convenience, the estimated value of all work forecast to be performed under the PFI contracts is included in backlog.

We have included in the table below our proportionate share of unconsolidated joint ventures' estimated revenues. Since these projects are accounted for under the equity method, only our share of future earnings from these projects will be recorded in our results of operations. Our proportionate share of backlog for projects related to unconsolidated joint ventures totaled \$8.5 billion at March 31, 2016 and December 31, 2015. We consolidate joint ventures which are majority-owned and controlled or are variable interest entities ("VIEs") 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 \$215 million at March 31, 2016 and \$285 million at December 31, 2015.

The following table summarized our backlog by business segment:

<i>Dollars in millions</i>	December 31,				March 31,
	2015	New Awards	Other (a)	Net Workoff (b)	2016
Technology & Consulting	\$ 430	\$ 42	\$ 19	\$ (97)	\$ 394
Engineering & Construction	5,148	85	(53)	(623)	4,557
Government Services	6,516	665	(56)	(222)	6,903
Subtotal	12,094	792	(90)	(942)	11,854
Non-strategic Business	239	—	9	(83)	165
Total backlog	\$ 12,333	\$ 792	\$ (81)	\$ (1,025)	\$ 12,019

(a) These amounts include adjustments for (i) changes in scope, (ii) effects of changes in foreign exchange rates and (iii) elimination of our proportionate share of non-partner costs related to our unconsolidated joint ventures.

(b) These amounts include the workoff of our projects as well as our proportionate share of the workoff of our unconsolidated joint ventures' projects.

We estimate that as of March 31, 2016, 39% of our backlog will be executed within one year. As of March 31, 2016, 23% of our backlog was attributable to fixed-price contracts, 49% was attributable to PFIs, and 28% of our backlog was attributable to cost-reimbursable contracts. For contracts that contain both fixed-price and cost-reimbursable components, we classify the individual components as either fixed-price or cost-reimbursable according to the composition of the contract; however, for smaller contracts, we characterize the entire contract based on the predominant component.

Transactions with Joint Ventures

We perform many of our projects through incorporated and unincorporated joint ventures. In addition to participating as a joint venture partner, we often provide engineering, procurement, construction, operations or maintenance services to the joint venture as a subcontractor. Where we provide services to a joint venture that we control and therefore consolidate for financial reporting purposes, we eliminate intercompany revenues and expenses on such transactions. In situations where we account for our interest in the joint venture under the equity method of accounting, we do not eliminate any portion of our revenues or expenses. We recognize the profit on our services provided to joint ventures that we consolidate and joint ventures that we record under the equity method of accounting primarily using the percentage-of-completion method. See Note 8 to our condensed consolidated financial statements for more information.

Legal Proceedings

Information relating to various commitments and contingencies is described in Notes 12 and 13 to our condensed consolidated financial statements, and the information discussed therein is incorporated by reference into this Item 2.

Liquidity and Capital Resources

Cash and equivalents totaled \$824 million at March 31, 2016 and \$883 million at December 31, 2015 and consisted of the following:

<i>Dollars in millions</i>	March 31,	December 31,
	2016	2015
Domestic U.S. cash	\$ 339	\$ 360
International cash	429	470
Joint venture cash	56	53
Total	\$ 824	\$ 883

Domestic cash relates to cash balances held by U.S. entities and is largely used to support obligations of those businesses as well as general corporate needs such as the payment of dividends to shareholders and potential repurchases of our outstanding common stock.

The international cash balances may be available for general corporate purposes but are subject to local restrictions, such as capital adequacy requirements and local obligations, such as maintaining sufficient cash balances to support our underfunded U.K. pension plan and other obligations incurred in the normal course of business by those foreign entities. Repatriated foreign cash may become subject to U.S. income taxes.

Joint venture cash balances reflect the amounts held by joint venture entities that we consolidate for financial reporting purposes. Such amounts are limited to joint venture activities and are not readily available for general corporate purposes but portions of such amounts may become available to us in the future should there be distribution of dividends to the joint venture partners. We expect that the majority of the joint venture cash balances will be utilized for the corresponding joint venture projects.

Cash generated from operations is our primary source of operating liquidity. Our cash balances are held in numerous locations throughout the world. We believe that existing cash balances and internally generated cash flows are sufficient to support our day-to-day domestic and foreign business operations for at least the next 12 months.

Our operating cash flow can vary significantly from year to year and is affected by the mix, terms and percentage of completion of our engineering and construction projects. We sometimes receive cash through billings to our customers on our larger engineering and construction projects and those of our consolidated joint ventures in advance of incurring the related costs. In other projects our net investment in the project costs may be greater than available project cash and we may utilize other cash on hand or availability under our Credit Agreement to satisfy any periodic operating cash requirements.

Engineering and construction projects generally require us to provide credit support for our performance obligations to our customers in the form of letters of credit, surety bonds or guarantees. Our ability to obtain new project awards in the future may be dependent on our ability to maintain or increase our letter of credit and surety bonding capacity, which may be further dependent on the timely release of existing letters of credit and surety bonds. As the need for credit support arises, letters of credit will be issued under our Credit Agreement or arranged with our banks on a bilateral, syndicated or other basis. We believe we have adequate letter of credit capacity under our existing Credit Agreement and bilateral lines, as well as adequate surety bond capacity under our existing lines to support our operations and current backlog for the next 12 months.

As of March 31, 2016, substantially all of our excess cash was held in commercial bank time deposits or interest bearing short-term investment accounts with the primary objectives of preserving capital and maintaining liquidity.

Cash flows activities summary

<i>Dollars in millions</i>	Three Months Ended March 31,	
	2016	2015
Cash flows used in operating activities	\$ (21)	\$ (108)
Cash flows used in investing activities	(25)	(1)
Cash flows used in financing activities	(18)	(75)
Effect of exchange rate changes on cash	5	(28)
Decrease in cash and equivalents	\$ (59)	\$ (212)

Operating activities . Cash used in operations totaled \$21 million in the first three months in 2016 and resulted from changes in our working capital accounts, the use of \$16 million to fund loss projects, an advance of \$14 million to meet initial working capital needs of a new joint venture in our GS business segment and contributions of \$10 million to our pension funds. These uses of cash were partially offset by distributions of earnings received from our unconsolidated affiliates of \$20 million .

Cash used in operations totaled \$108 million in the first three months in 2015 and was primarily attributable to fluctuations in our working capital accounts, funding of loss projects of \$37 million and distributions of earnings received from our unconsolidated affiliates of \$37 million . In addition, we used \$36 million for the net settlement of derivative contracts and contributed approximately \$11 million to our pension funds.

Investing activities . Cash used in investing activities totaled \$25 million in the first three months in 2016 and was primarily due to the \$22 million used in the acquisition of the three technology companies in our T&C business segment.

Cash used in investing activities totaled \$1 million in the first three months in 2015 and was primarily due to purchases of equipment associated with information technology projects.

Financing activities . Cash used in financing activities totaled \$18 million in the first three months in 2016 and included \$11 million for dividend payments to common shareholders, \$6 million for distributions to noncontrolling interests and \$2 million for the purchase of treasury stock.

Cash used in financing activities totaled \$75 million in the first three months in 2015 and included \$40 million for our purchase of the noncontrolling interest in a joint venture, \$16 million for the purchase of treasury stock, \$12 million for dividend payments to common shareholders and \$7 million for distributions to noncontrolling interests.

Future sources of cash. Future sources of cash include cash flows from operations, cash derived from working capital management, and cash borrowings under our Credit Agreement as well as potential litigation proceeds.

Future uses of cash. Future uses of cash will primarily relate to working capital requirements, capital expenditures, dividends, share repurchases and strategic investments. Our capital expenditures will be focused primarily on facilities and equipment to support our businesses. In addition, we will use cash to fund pension obligations, payments under operating leases and various other obligations, including potential litigation payments, as they arise.

Other factors potentially affecting liquidity

Power project losses. Our reserve for estimated losses on uncompleted contracts of \$44 million included in "other current liabilities" on our condensed consolidated balance sheets at March 31, 2016 includes \$33 million primarily related to a power project. These accrued losses will result in future cash expenditures in excess of customer receipts. Based on current contracts and work authorizations, we anticipate completion of this power project in 2017. See Note 2 to our condensed consolidated financial statements for more information related to changes in estimates.

Credit Agreement

Information relating to our credit agreement is described in Note 10 to our condensed consolidated financial statements, and the information discussed therein is incorporated by reference into this Item 2.

Nonrecourse Project Finance Debt

Information relating to our nonrecourse project debt is described in Note 10 to our condensed consolidated financial statements, and the information discussed therein is incorporated by reference into this Item 2.

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 counterparties 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 \$2.1 billion in committed and uncommitted lines of credit to support the issuance of letters of credit and as of March 31, 2016, we have utilized \$568 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 \$119 million issued under our Credit Agreement and \$449 million issued under uncommitted bank lines as of March 31, 2016. Of the letters of credit outstanding under our Credit Agreement, none have expiry dates beyond the maturity date of the Credit Agreement. Of the total letters of credit outstanding, \$244 million relate to our joint venture operations where the letters of credit are posted using our capacity to support our pro-rata share of obligations under various contracts executed by joint ventures of which we are a member. 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 12 months.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We invest excess cash and equivalents in short-term securities, primarily time deposits, which carry a fixed rate of return for a given duration of time. Additionally, a substantial portion of our cash balances are maintained in foreign countries.

We are exposed to market risk associated with changes in foreign currency exchange rates, which may adversely affect our results of operations and financial condition.

We are exposed to and use derivative instruments, such as foreign exchange forward contracts and options to hedge foreign currency risk related to non-functional currency assets and liabilities on our balance sheet. Each period, these balance sheet hedges are marked to market through earnings and the change in their fair value is offset by remeasurement of the underlying assets and liabilities. See Note 17 to our condensed consolidated financial statements and the information discussed therein is incorporated by reference into this Item 3.

Item 4. Controls and Procedures

In accordance with the Securities Exchange Act of 1934 Rules 13a-15 and 15d-15, 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, 2016 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 three months ended March 31, 2016, there have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information relating to various commitments and contingencies is described in Notes 12 and 13 to our condensed consolidated financial statements in Part I, Item 1 of this quarterly report, and the information discussed therein is incorporated by reference into this Part II, Item 1.

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, 2015. 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, 2015. Our updated risk factors are included below.

Risks Related to Operations of our Business

A portion of our revenues is generated by large, recurring business from certain significant customers. A loss, cancellation or delay in projects by our significant 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. We depend on a limited number of significant customers. A considerable percentage of our revenues, particularly in our GS business segment, is generated from transactions with certain significant customers. Revenues from the U.S. government represented 13% of our total consolidated revenues for the three months ended March 31, 2016. The loss of our significant customers, or the cancellation or delay in their projects, could adversely affect our revenues and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) None.

(c) On February 25, 2014, our Board of Directors authorized a \$350 million share repurchase program, which replaced and terminated the August 26, 2011 share repurchase program. The authorization does not specify an expiration date for the share repurchase program. The following is a summary of share repurchases of our common stock settled during the three months ended March 31, 2016.

Purchase Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Dollar Value of Maximum Number of Shares that May Yet Be Purchased Under the Plan
January 1 – 29, 2016	3,565	\$ 16.05	—	\$ 208,030,228
February 1 – 29, 2016	55,856	\$ 12.50	—	\$ 208,030,228
March 1 – 31, 2016	58,615	\$ 14.92	—	\$ 208,030,228

(1) Shares repurchased include shares acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from issuance of share-based equity awards under the KBR Stock and Incentive Plan. Total shares acquired from employees during the three months ended of March 31, 2016 was 118,036 shares at an average price of \$13.81 per share.

Item 6. Exhibits

Exhibit Number	Description
3.1	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; File No. 1-33146)
3.2	Amended and Restated Bylaws of KBR, Inc. (incorporated by reference to Exhibit 3.2 to KBR's annual report on Form 10-K for the year ended December 31, 2013 filed on February 27, 2014; File No. 1-33146)
*10.1 +	Form of revised Restricted Stock Unit Agreement (US Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
*10.2 +	Form of revised Restricted Stock Unit Agreement (International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
*10.3 +	Form of revised Performance Stock Unit Agreement (US Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
*10.4 +	Form of revised Performance Stock Unit Agreement (International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
*10.5 +	Form of revised Performance Award Agreement (US/International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
*31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32.1	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
***101	The following materials from the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Statements of Operations (Unaudited), (ii) Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited), (iii) Condensed Consolidated Balance Sheets (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows (Unaudited), and (v) Notes to Condensed Consolidated Financial Statements (Unaudited)
+	Management contracts or compensatory plans or arrangements
*	Filed with this Form 10-Q
**	Furnished with this Form 10-Q
***	Interactive data files

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

KBR, INC.

/s/ Brian K. Ferraioli

Brian K. Ferraioli
Executive Vice President and Chief Financial Officer

/s/ Nelson E. Rowe

Nelson E. Rowe
Vice President and Chief Accounting Officer

Dated: April 29, 2016

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:

Vesting Date	Vested Percentage of Total Number of Restricted Stock Units
1st Anniversary of Grant Date	33 ⅓%
2nd Anniversary of Grant Date	66 ⅔%
3rd Anniversary of Grant Date	100%

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 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 that have not yet been forfeited and which are still outstanding and 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) Payment for Vested Restricted Stock Units. Payment for 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 in the form of shares of Stock equal in number to the number of Restricted Stock Units with respect to which payment is being made on the applicable date; provided, however, that payment for a vested Restricted Stock Unit shall be made at the time provided above solely in cash (in lieu of in the form of a share of Stock) in an amount equal to the Fair Market Value as of the vesting date of such Restricted Stock Unit if there are an insufficient number of shares available for delivery under the Plan at the time of such settlement as determined by the Committee or its delegate in the Committee's or such delegate's sole discretion. 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 Benefits. 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, to the extent this Award is settled in shares of Stock, 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. Without limiting the scope of the preceding sentence, it is expressly provided that Employee shall be considered to have terminated employment with the Company at the time of the termination of the “Subsidiary” status under the Plan of the entity or other organization that employs Employee. 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 Restricted Stock Units that have not yet been forfeited and which are still outstanding and subject to restrictions 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.

[Signatures on the following page.]

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: __

Name: Stuart J. B. Bradie

Title: President and CEO

EMPLOYEE:

—

Date: __

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 Company determines that there has been a legal judgment and/or legal development in Employee’s jurisdiction that likely would result in the favorable treatment that applies to the 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 70 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:

Vesting Date	Vested Percentage of Total Number of Restricted Stock Units
1st Anniversary of Grant Date	33 ⅓%
2nd Anniversary of Grant Date	66 ⅔%
3rd Anniversary of Grant Date	100%

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 Employee's 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 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 that have not yet been forfeited and which are still outstanding and 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 Company determines that there has been a legal judgment and/or legal development in Employee's jurisdiction that likely would result in the favorable retirement treatment that applies to the 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 70 while still employed by the Company. Instead, Restricted Stock Units that have not yet been forfeited and which are still outstanding and subject to restrictions shall become fully vested when Employee's employment is terminated for any reason with at least 25 years of service at the Company or employing Subsidiary (or such lesser number of years of service under special circumstances as may be determined in the Committee's (or its delegate's) sole discretion) 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) Payment for Vested Restricted Stock Units. Payment for 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 in the form of shares of Stock equal in number to the number of Restricted Stock Units with respect to which payment is being made on the applicable date; provided, however, that payment for a vested Restricted Stock Unit shall be made at the time provided above solely in cash (in lieu of in the form of a share of Stock) in an amount equal to the Fair Market Value as of the vesting date of such Restricted Stock Unit if there are an insufficient number of shares available for delivery under the Plan at the time of such settlement as determined by the Committee or its delegate in the Committee's or such delegate's sole discretion. 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 Benefits. 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.

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.

Notwithstanding the preceding provisions of this Paragraph 3, Employee's liability with respect to Tax-Related Items shall be subject to any international tax assignment agreement then in effect between Employee and the Company, the Employer or any of their respective affiliates or any tax policies or procedures applicable to the Employee's home country, and in the event of any conflict between the terms of this Paragraph 3 and the terms of such international tax assignment agreement or such tax policies or procedures, the terms of such international tax assignment agreement or such tax policies or procedures, as applicable, shall control.

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. Without limiting the scope of the preceding sentence, it is expressly provided that Employee shall be considered to have terminated employment with the Company at the time of the termination of the "Subsidiary" status under the Plan of the entity or other organization that employs Employee. 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 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;

(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 Restricted Stock Units that have not yet been forfeited and which are still outstanding and subject to restrictions 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. **Insider Trading/Market Abuse Laws**. Employee acknowledges that, depending on Employee’s country of residence, Employee may be subject to insider trading restrictions and/or market abuse laws, which may affect Employee’s ability to acquire or sell shares of Stock or rights to shares of Stock (e.g., Restricted Stock Units) under the Plan during such times as Employee is considered to have “inside information” regarding the Company (as defined by the laws in Employee’s country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Employee acknowledges that it is his or her responsibility to be informed of and compliant with such regulations, and is advised to speak to his or her personal advisor on this matter.

15. **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.

16. **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.

17. **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.

18. **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.

19. **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.

20. **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.

[Signatures on the following page.]

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: __

Name: Stuart J. B. Bradie

Title: President and CEO

EMPLOYEE:

—

Date: __

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 2014. 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 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 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 shares of Stock on each vesting date, as provided in Paragraph 2(c) of the Agreement. Any provisions in the Agreement referring to the issuance of shares 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 shares of 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 shares of Stock or proceeds from the sale of shares of Stock into such account. Proceeds from the sale of shares 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 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 shares of Stock under the Plan and offers the shares of 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.

Shares of 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 shares of Stock are sold on the New York Stock Exchange on which shares of Stock are 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 shares of Stock. Employee also agrees to report any and all taxes associated with the vesting of the Restricted Stock Units, the sale of shares 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 shares of 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 shares of Stock only.

Foreign Account/Asset Tax Reporting Information.

Employee may be required to report his or her foreign property on Form T1135 (Foreign Income Verification Statement) if the total cost of his or her foreign property exceeds C\$100,000 at any time in the year. Foreign property includes shares of Stock acquired under the Plan.

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

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), unless otherwise provided in this Agreement or the Plan, Employee's right to vest in the Restricted Stock Units, if any, will terminate effective as of the date that is the earlier of (1) the date upon which Employee's employment with the Company or any of its Subsidiaries is terminated; (2) the date Employee is no longer actively providing services to the Company or any of its Subsidiaries; or (3) the date Employee receives written notice of termination of employment from the Employer, 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 (including whether Employee may be considered to be providing services while on a leave of absence).

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 shares of 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 shares of Stock (on Employee's behalf pursuant to this authorization) and Employee expressly authorizes the Company's designated broker to complete the sale of such shares of Stock. Employee acknowledges that the Company's designated broker is under no obligation to arrange for the sale of shares of Stock at any particular price. Upon sale of shares of Stock, the Company agrees to pay Employee the cash proceeds from the sale of shares 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 shares 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 shares 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 shares of Stock on the vesting/sale date (which is the amount relevant to determining Employee's 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 shares of Stock and any dividends received in relation to the shares of 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.**

Foreign Account/Asset Tax Reporting Information .

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 which 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.

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 shares of 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 14: Insider Trading/Market Abuse Laws; Paragraph 15: Electronic Delivery and Acceptance; Paragraph 16: Severability; Paragraph 18: Addendum; Paragraph 19: Imposition of Other Requirements and the Data Privacy Notice in this Addendum.

Foreign Account/Asset Tax Reporting Information .

Starting from tax returns filed in 2014 for fiscal year 2013, if Employee is an Italian resident who, at any time during the fiscal year, holds foreign financial assets (including cash and shares of Stock) which may generate income taxable in Italy, Employee is required to report these assets on his or her annual tax return for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations also apply if Employee is the beneficial owner of foreign financial assets under Italian money laundering provisions.

Foreign Financial Assets Tax Information .

As from 2011, Italian residents may be subject to tax on the value of financial assets held outside of Italy. The taxable amount will be the fair market value of the financial assets. The fair market value is considered to be the value of the shares of Stock on the stock market on December 31 of each year or on the last day of holding the shares of Stock (in such case, or when the shares of Stock are acquired during the course of the year, the tax is levied in proportion to the actual days of holding over the calendar year).

JAPAN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Foreign Account/Asset Tax Reporting Information

If Employee is a resident of Japan or a foreign national who has established permanent residency in Japan, 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. The penalty for fraudulent reporting is imprisonment up to one year or a fine up to ¥500,000. 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 shares of 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 shares of 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 shares of Stock or receipt of dividends in a single transaction are required to repatriate the proceeds to Korea within 18 months of receipt.

Foreign Account/Asset Tax Reporting Information .

Employee will be required to declare all foreign accounts (*i.e.* , non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authorities and file a report if the monthly balance of such accounts exceeds a certain limit (currently KRW 1 billion or an equivalent amount in foreign currency).

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.

Labor Law Acknowledgement and Policy Statement.

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 shares 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-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.

PHILIPPINES
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

The sale or disposal of shares of Stock acquired under the Plan may be subject to certain restrictions under Philippine securities laws. Those restrictions should not apply if the offer and resale of the shares of Stock takes place outside of the Philippines through the facilities of a stock exchange on which the shares of Stock are listed. The shares of Stock currently are listed on the New York Stock Exchange in the United States of America.

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 shares of Stock issued pursuant to the Restricted Stock Units shall be delivered to Employee through a brokerage account in the U.S. Employee may hold shares of Stock in Employee's brokerage account in the U.S.; however, in no event will shares of 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 shares of Stock directly to other Russian legal entities or individuals. Employee is permitted to sell shares of 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 shares 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 .

Employee acknowledges that the Agreement, the grant of the Restricted Stock Units, 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.

Termination of Employment .

If Employee continues to hold shares of Stock acquired at vesting of the Restricted Stock Units after an involuntary termination of employment, Employee will not be eligible to receive unemployment benefits in Russia.

Data Privacy Notice and Consent .

The following provisions supplement Paragraph 6: Data Privacy Notice and Consent provision in the Agreement and to the extent inconsistent, the below language for Russia supersedes Paragraph 6: Data Privacy Notice and Consent:

Employee understands and agrees that the Company may require Employee to complete and return a Consent to Processing of Personal Data form (the "Consent") to the Company. If a Consent is required by the Company but Employee fails to provide such Consent to the Company, Employee understands and agrees that the Company will not be able to administer or maintain the Option or any other awards. Therefore, Employee understands that refusing to complete any required Consent or withdrawing his or her consent may affect Employee's ability to participate in the Plan. For more information on any required Consent or withdrawal of consent, Employee understands he or she 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 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 shares of 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 (Chap. 289) (“SFA”) for which it is exempt from the prospectus and registration requirements under the SFA and is not made to Employee with a view of the Restricted Stock Units being subsequently offered to any other party. 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 shares of Stock in Singapore or (ii) any offer of such subsequent sale of the shares of 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, shares of 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).

**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 shares 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 shares 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 repatriation. 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 shares of 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.

TURKEY
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

Employee understands and agrees that he or she is not permitted to sell any shares of Stock acquired under the Plan in Turkey. The shares of Stock are currently traded on the New York Stock Exchange, which is located outside of Turkey, under the ticker symbol "KBR" and the shares of Stock may be sold through this exchange.

Exchange Control Information.

Turkish residents are permitted to acquire or sell securities or derivatives traded on foreign (*i.e.* , non-Turkish) exchanges only through a financial intermediary licensed in Turkey. Therefore, Employee may be required to appoint a Turkish broker to assist Employee with the sale of any shares of Stock acquired under the Plan. *Employee should consult his or her personal legal advisor before selling any shares of Stock acquired under the Plan to confirm the applicability of this requirement to Employee.*

**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 United Arab Emirates ("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 shares of Stock issued upon vesting and settlement of the Restricted Stock Units 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 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. 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.

PERFORMANCE 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 Performance 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 “Performance Stock Units”).

(b) **Plan Incorporated.** Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Performance 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 Performance Stock Units.** Employee hereby accepts the Performance Stock Units and agrees with respect thereto as follows:

(a) **Forfeiture of Performance 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 Performance Stock Units to the extent they are not fully vested. In addition, except as otherwise provided in the second and third sentences of subparagraph (c) of this Paragraph 2, Employee shall, for no consideration, forfeit all of the Performance Stock Units on December 31, 2016, if a consolidated net cost savings target of \$175 million (as measured for purposes of the publicly disclosed Company cost savings target) is not achieved and approved by the Committee that administers the Plan (the “Committee”) and the Company’s Chief Executive Officer.

(b) **Assignment of Award.** The Performance 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 Performance 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 and such Performance Stock Units have not been forfeited pursuant to the last sentence of subparagraph (a) of this Paragraph 2:

Vesting Date	Vested Percentage of Total Number of Performance Stock Units
1st Anniversary of Grant Date	33 ⅓%
2nd Anniversary of Grant Date	66 ⅔%
3rd Anniversary of Grant Date	100%

Notwithstanding the foregoing, unless otherwise provided in an Other Agreement pursuant to Paragraph 8, the Performance 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; provided, however, that if the Performance Stock Units have been forfeited pursuant to the last sentence of subparagraph (a) of this Paragraph 2 prior to the date of the occurrence of an event described in clause (i), (ii) or (iii) of this sentence, then the Performance Stock Units shall remain forfeited and shall not vest upon the occurrence of any such event. 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 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 Performance Stock Units that have not yet been forfeited and which are still outstanding and 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 Performance 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. Notwithstanding the previous sentence, Employee shall accrue 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, but shall not have the right to receive such payments or distributions until such shares of Stock have satisfied the net cost savings performance target under subparagraph (a) of this Paragraph 2. If such shares do not satisfy the net cost savings requirement and are forfeited, the accrued dividends or distributions with respect to such shares shall also be forfeited.

(e) Payment for Vested Performance Stock Units. Payment for vested Performance 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 in the form of shares of Stock equal in number to the number of Performance Stock Units with respect to which payment is being made on the applicable date; provided, however, that payment for a vested Performance Stock Unit shall be made at the time provided above solely in cash (in lieu of in the form of a share of Stock) in an amount equal to the Fair Market Value as of the vesting date of such Performance Stock Unit if there are an insufficient number of shares available for delivery under the Plan at the time of such settlement as determined by the Committee or its delegate in the Committee's or such delegate's sole discretion. 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 Benefits. 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, to the extent this Award is settled in shares of Stock, 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. Without limiting the scope of the preceding sentence, it is expressly provided that Employee shall be considered to have terminated employment with the Company at the time of the termination of the “Subsidiary” status under the Plan of the entity or other organization that employs Employee. 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 Performance 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 Performance 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 Performance Stock Units that have not yet been forfeited and which are still outstanding and subject to restrictions 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 Performance 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.

[Signatures on the following page.]

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: __

Name: Stuart J. B. Bradie

Title: President and CEO

EMPLOYEE:

—

Date: __

PERFORMANCE 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 Performance 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 “Performance Stock Units”).

(b) **Plan Incorporated.** Employee acknowledges receipt of a copy of the Plan, and agrees that this award of Performance 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 Performance Stock Units.** Employee hereby accepts the Performance Stock Units and agrees with respect thereto as follows:

(a) **Forfeiture of Performance 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 Performance Stock Units to the extent they are not fully vested. Notwithstanding the foregoing, if the Company determines that there has been a legal judgment and/or legal development in Employee’s jurisdiction that likely would result in the favorable treatment that applies to the Performance 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 70 shall not be applicable to Employee. In addition, except as otherwise provided in the second and third sentences of subparagraph (c) of this Paragraph 2, Employee shall, for no consideration, forfeit all of the Performance Stock Units on December 31, 2016, if a consolidated net cost savings target of \$175 million (as measured for purposes of the publicly disclosed Company cost savings target) is not achieved and approved by the Committee that administers the Plan (the “Committee”) and the Company’s Chief Executive Officer.

(b) **Assignment of Award.** The Performance 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 Performance 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 and such Performance Stock Units have not been forfeited pursuant to the last sentence of subparagraph (a) of this Paragraph 2:

Vesting Date	Vested Percentage of Total Number of Performance Stock Units
1st Anniversary of Grant Date	33 ⅓%
2nd Anniversary of Grant Date	66 ⅔%
3rd Anniversary of Grant Date	100%

Notwithstanding the foregoing, unless otherwise provided in an Other Agreement pursuant to Paragraph 11, the Performance Stock Units shall become fully vested on the earliest of (i) the occurrence of Employee's 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; provided, however, that if the Performance Stock Units have been forfeited pursuant to the last sentence of subparagraph (a) of this Paragraph 2 prior to the date of the occurrence of an event described in clause (i), (ii) or (iii) of this sentence, then the Performance Stock Units shall remain forfeited and shall not vest upon the occurrence of any such event. 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 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 Performance Stock Units that have not yet been forfeited and which are still outstanding and 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 Performance Stock Units become fully vested prior to the expiration of one month from the Grant Date.

Notwithstanding the foregoing, if the Company determines that there has been a legal judgment and/or legal development in Employee's jurisdiction that likely would result in the favorable retirement treatment that applies to the Performance Stock Units under the Plan being deemed unlawful and/or discriminatory, Performance Stock Units shall not become fully vested on Employee's attainment of age 70 while still employed by the Company. Instead, Performance Stock Units that have not yet been forfeited and which are still outstanding and subject to restrictions shall become fully vested when Employee's employment is terminated for any reason with at least 25 years of service at the Company or employing Subsidiary (or such lesser number of years of service under special circumstances as may be determined in the Committee's (or its delegate's) sole discretion) 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) Payment for Vested Performance Stock Units. Payment for vested Performance 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 in the form of shares of Stock equal in number to the number of Performance Stock Units with respect to which payment is being made on the applicable date; provided, however, that payment for a vested Performance Stock Unit shall be made at the time provided above solely in cash (in lieu of in the form of a share of Stock) in an amount equal to the Fair Market Value as of the vesting date of such Performance Stock Unit if there are an insufficient number of shares available for delivery under the Plan at the time of such settlement as determined by the Committee or its delegate in the Committee's or such delegate's sole discretion. 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 Benefits**. 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 Performance Stock Units, including but not limited to, the grant, vesting or settlement of the Performance 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 Performance 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 Performance 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 Performance 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 Performance Stock Units, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items.

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.

Notwithstanding the preceding provisions of this Paragraph 3, Employee's liability with respect to Tax-Related Items shall be subject to any international tax assignment agreement then in effect between Employee and the Company, the Employer or any of their respective affiliates or any tax policies or procedures applicable to the Employee's home

country, and in the event of any conflict between the terms of this Paragraph 3 and the terms of such international tax assignment agreement or such tax policies or procedures, the terms of such international tax assignment agreement or such tax policies or procedures, as applicable, shall control.

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. Without limiting the scope of the preceding sentence, it is expressly provided that Employee shall be considered to have terminated employment with the Company at the time of the termination of the “Subsidiary” status under the Plan of the entity or other organization that employs Employee. 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 Performance 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 Performance 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 Performance 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 consequence of refusing or withdrawing Employee’s consent is that the Company would not be able to grant to Employee Performance 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 Performance 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 Performance Stock Units is voluntary and occasional and does not create any contractual or other right to receive future awards of Performance Stock Units, or benefits in lieu of Performance Stock Units even if Performance Stock Units have been awarded in the past;

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

(d) the grant of Performance 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 Performance Stock Units and the Stock underlying the Performance Stock Units are not intended to replace any pension rights or compensation;

(g) Performance 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 Performance 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 Performance 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;

(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 Performance 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 Performance Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Performance 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 Performance Stock Units and the shares of Stock subject to the Performance 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 Performance Stock Units or of any amounts due to Employee pursuant to the settlement of the Performance 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 Performance 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 Performance Stock Units that have not yet been forfeited and which are still outstanding and subject to restrictions 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 Performance 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. **Insider Trading/Market Abuse Laws**. Employee acknowledges that, depending on Employee’s country of residence, Employee may be subject to insider trading restrictions and/or market abuse laws, which may affect Employee’s ability to acquire or sell shares of Stock or rights to shares of Stock (e.g., Performance Stock Units) under the Plan during such times as Employee is considered to have “inside information” regarding the Company (as defined by the laws in Employee’s country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Employee acknowledges that it is his or her responsibility to be informed of and compliant with such regulations, and is advised to speak to his or her personal advisor on this matter.

15. **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.

16. **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.

17. **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.

18. **Addendum**. Notwithstanding any provision in this Agreement or the Plan to the contrary, the Performance 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.

19. **Imposition of Other Requirements**. The Company reserves the right to impose other requirements on Employee’s participation in the Plan, on the Performance 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.

20. **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.

[Signatures on the following page.]

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: __

Name: Stuart J. B. Bradie

Title: President and CEO

EMPLOYEE:

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Date: __

Addendum
KBR, INC.

Terms and Conditions of Performance Stock Unit Grant

SPECIAL PROVISIONS OF PERFORMANCE 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 2014. Such laws are often complex, change frequently, certain individual exchange control reporting requirements may apply upon vesting of Performance 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 Performance Stock Units vest 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 Performance 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 Performance 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

Performance 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 shares of Stock on each vesting date, as provided in Paragraph 2(c) of the Agreement. Any provisions in the Agreement referring to the issuance of shares of Stock pursuant to vested Performance 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 shares of Stock in connection with the Performance Stock Units awarded under the Plan.

Employee acknowledges that, even though Employee receives only a cash payment upon vesting of the Performance 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 shares of Stock or proceeds from the sale of shares of Stock into such account. Proceeds from the sale of shares 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 Performance Stock Units granted under the Plan are subject to an Australian Addendum to the Plan. Employee's right to receive Performance Stock Units is subject to the terms and conditions as stated in the Australian Addendum, the specific relief instrument granted 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 shares of Stock under the Plan and offers the shares of 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.

Shares of Stock to be issued when Employee vests in his or her Performance 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 shares of Stock are sold on the New York Stock Exchange on which shares of Stock are currently listed.

BRAZIL
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Compliance with Laws.

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

CANADA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Performance Stock Units Payable Only in Stock.

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

Foreign Account/Asset Tax Reporting Information.

Employee may be required to report his or her foreign property on Form T1135 (Foreign Income Verification Statement) if the total cost of his or her foreign property exceeds C\$100,000 at any time in the year. Foreign property includes shares of Stock acquired under the Plan.

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

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), unless otherwise provided in this Agreement or the Plan, Employee's right to vest in the Performance Stock Units, if any, will terminate effective as of the date that is the earlier of (1) the date upon which Employee's employment with the Company or any of its Subsidiaries is terminated; (2) the date Employee is no longer actively providing services to the Company or any of its Subsidiaries; or (3) the date Employee receives written notice of termination of employment from the Employer, 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 Performance Stock Units (including whether Employee may be considered to be providing services while on a leave of absence).

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 Performance Stock Units and Sale of Stock .

Due to local regulatory requirements, upon vesting of the Performance Stock Units, Employee agrees to the immediate sale of any shares of Stock to be issued to him or her upon vesting and settlement of the Performance Stock Units. Employee further agrees that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such shares of Stock (on Employee's behalf pursuant to this authorization) and Employee expressly authorizes the Company's designated broker to complete the sale of such shares of Stock. Employee acknowledges that the Company's designated broker is under no obligation to arrange for the sale of shares of Stock at any particular price. Upon sale of shares of Stock, the Company agrees to pay Employee the cash proceeds from the sale of shares 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 shares of Stock issued upon the vesting of the Performance 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 shares 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 shares of Stock on the vesting/sale date (which is the amount relevant to determining Employee's tax liability). Employee agrees to bear the risk of any currency fluctuation between the date the Performance 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 shares of Stock and any dividends received in relation to the shares of 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.**

Foreign Account/Asset Tax Reporting Information.

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 which 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.

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 shares of Stock or directorships held in the Company or any Subsidiary, details of all Performance 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 Performance 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 Performance 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 14: Insider Trading/Market Abuse Laws; Paragraph 15: Electronic Delivery and Acceptance; Paragraph 16: Severability; Paragraph 18: Addendum; Paragraph 19: Imposition of Other Requirements and the Data Privacy Notice in this Addendum.

Foreign Account/Asset Tax Reporting Information .

Starting from tax returns filed in 2014 for fiscal year 2013, if Employee is an Italian resident who, at any time during the fiscal year, holds foreign financial assets (including cash and shares of Stock) which may generate income taxable in Italy, Employee is required to report these assets on his or her annual tax return for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations also apply if Employee is the beneficial owner of foreign financial assets under Italian money laundering provisions.

Foreign Financial Assets Tax Information .

As from 2011, Italian residents may be subject to tax on the value of financial assets held outside of Italy. The taxable amount will be the fair market value of the financial assets. The fair market value is considered to be the value of the shares of Stock on the stock market on December 31 of each year or on the last day of holding the shares of Stock (in such case, or when the shares of Stock are acquired during the course of the year, the tax is levied in proportion to the actual days of holding over the calendar year).

JAPAN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Foreign Account/Asset Tax Reporting Information

If Employee is a resident of Japan or a foreign national who has established permanent residency in Japan, 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. The penalty for fraudulent reporting is imprisonment up to one year or a fine up to ¥500,000. 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 Performance Stock Units or shares of 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 shares of Stock upon vesting of the Performance 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 shares of Stock or receipt of dividends in a single transaction are required to repatriate the proceeds to Korea within 18 months of receipt.

Foreign Account/Asset Tax Reporting Information .

Employee will be required to declare all foreign accounts (*i.e.* , non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authorities and file a report if the monthly balance of such accounts exceeds a certain limit (currently KRW 1 billion or an equivalent amount in foreign currency).

MEXICO
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Acknowledgement of the Agreement.

In accepting the award of Performance 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.

Labor Law Acknowledgement and Policy Statement.

In accepting the award of Performance 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 shares 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-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.

PHILIPPINES
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

The sale or disposal of shares of Stock acquired under the Plan may be subject to certain restrictions under Philippine securities laws. Those restrictions should not apply if the offer and resale of the shares of Stock takes place outside of the Philippines through the facilities of a stock exchange on which the shares of Stock are listed. The shares of Stock currently are listed on the New York Stock Exchange in the United States of America.

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 shares of Stock issued pursuant to the Performance Stock Units shall be delivered to Employee through a brokerage account in the U.S. Employee may hold shares of Stock in Employee's brokerage account in the U.S.; however, in no event will shares of 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 Performance 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 shares of Stock directly to other Russian legal entities or individuals. Employee is permitted to sell shares of 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 shares 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 .

Employee acknowledges that the Agreement, the grant of the Performance Stock Units, 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.

Termination of Employment .

If Employee continues to hold shares of Stock acquired at vesting of the Performance Stock Units after an involuntary termination of employment, Employee will not be eligible to receive unemployment benefits in Russia.

Data Privacy Notice and Consent .

The following provisions supplement Paragraph 6: Data Privacy Notice and Consent provision in the Agreement and to the extent inconsistent, the below language for Russia supersedes Paragraph 6: Data Privacy Notice and Consent:

Employee understands and agrees that the Company may require Employee to complete and return a Consent to Processing of Personal Data form (the "Consent") to the Company. If a Consent is required by the Company but Employee fails to provide such Consent to the Company, Employee understands and agrees that the Company will not be able to administer or maintain the Option or any other awards. Therefore, Employee understands that refusing to complete any required Consent or withdrawing his or her consent may affect Employee's ability to participate in the Plan. For more information on any required Consent or withdrawal of consent, Employee understands he or she 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 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

Performance Stock Units Payable Only in Stock.

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

Securities Law Information.

The grant of Performance Stock Units 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 and is not made to Employee with a view of the Performance Stock Units being subsequently offered to any other party. 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 shares of Stock in Singapore or (ii) any offer of such subsequent sale of the shares of 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.* , Performance Stock Units, shares of 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).

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

Tax Withholding Notification.

By Employee's acceptance of the Performance 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 shares 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 shares 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 repatriation. 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 shares of 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.

TURKEY
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

Employee understands and agrees that he or she is not permitted to sell any shares of Stock acquired under the Plan in Turkey. The shares of Stock are currently traded on the New York Stock Exchange, which is located outside of Turkey, under the ticker symbol "KBR" and the shares of Stock may be sold through this exchange.

Exchange Control Information.

Turkish residents are permitted to acquire or sell securities or derivatives traded on foreign (*i.e.* , non-Turkish) exchanges only through a financial intermediary licensed in Turkey. Therefore, Employee may be required to appoint a Turkish broker to assist Employee with the sale of any shares of Stock acquired under the Plan. *Employee should consult his or her personal legal advisor before selling any shares of Stock acquired under the Plan to confirm the applicability of this requirement to Employee.*

**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 United Arab Emirates ("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 Performance Stock Units, or the release or assignment of the Performance Stock Units for consideration, or the receipt of any other benefit in connection with the Performance 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 shares of Stock issued upon vesting and settlement of the Performance Stock Units 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 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. 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.

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. Eighty percent of the Performance Units shall be "Tranche One PUs" and twenty percent of the Performance Units shall be "Tranche Two PUs."

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.

In addition, except as otherwise provided in subparagraphs (b) and (d) below, you shall, for no consideration, forfeit all of the Tranche Two PUs on December 31, 2016, if a consolidated net cost savings target of \$175 million (as measured for purposes of the publicly disclosed Company cost savings target) is not achieved and approved by the Committee that administers the Plan (the "Committee") and the Company's Chief Executive Officer (the "CEO").

- (b) **Death, Disability, Retirement or Early 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), (iii) normal retirement on or after reaching age 65, or (iv) your early retirement prior to reaching age 65 with the approval of both (A) the Company or employing Subsidiary and (B) the Committee or its delegate (with such approval to be granted or withheld in the sole discretion of the Company, employing Subsidiary, Committee and/or delegate of the Committee, as applicable), then, in any such case, a prorata portion of your Performance Units that become "earned", if any, as provided in Exhibit A, will become vested; provided, however, that if the Tranche Two PUs have been forfeited pursuant to the last sentence of subparagraph (a) above prior to the occurrence of an event described in clause (i), (ii), (iii) or (iv) of this sentence, then the Tranche Two PUs shall remain forfeited, no portion of the Tranche Two PUs will vest upon the occurrence of any such event, and the prorata portion of your Performance Units that become "earned", if any, and that may become vested pursuant to this sentence shall be determined based solely upon the Tranche One PUs. 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 that have not yet been forfeited and which are still outstanding.

Notwithstanding the foregoing, if the Company determines that there has been a legal judgment and/or legal development in your jurisdiction that likely would result in the favorable retirement treatment that applies to the 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 65 shall not be applicable to you. Instead, the prorata portion of your Performance Units that have not yet been forfeited and which are still outstanding and that become “earned”, if any, as provided in Exhibit A will become vested in accordance with the preceding subparagraph if your employment is terminated for any reason with at least 25 years of service at the Company or employing Subsidiary (or such lesser number of years of service under special circumstances as may be determined in the Committee’s (or its delegate’s) sole discretion) subject, however, to this being considered nondiscriminatory by legal counsel and to the Committee’s (or its delegate’s) sole discretion to approve such vesting.

- (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; provided, however, that if the Tranche Two PUs have been forfeited pursuant to the last sentence of subparagraph (a) above prior to the occurrence of a Double Trigger Event, then the Tranche Two PUs shall remain forfeited, no portion of the Tranche Two PUs will vest upon the occurrence of the Double Trigger Event, and the portion of your Performance Units that become vested pursuant to this sentence shall be determined based solely upon the Tranche One PUs. 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 that have not yet been forfeited and which are still outstanding 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. For the avoidance of doubt, it is expressly provided that you shall be considered to have terminated employment with the Company at the time of the termination of the “Subsidiary” status under the Plan of the entity or other organization that employs you.

- 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** . 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 CEO or a direct report to the CEO) and, within the three-year period beginning on the date that you receive a payment pursuant to Paragraph 3, the extent to which the performance measurements were achieved during any calendar

year of the Performance Period changes because of any revision of the Company's financial results for the same calendar year, and the value of the Performance Units earned at the end of the Performance Period is determined to have resulted in an overpayment based on such calendar year's revised financial results, the Committee may, in its sole and absolute discretion, seek recovery of the amount of the Performance Award determined to be an overpayment or hold the overpayment as debit against future Performance Awards for up to a three-year period following the end of the Performance Period. In addition, 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 or securities exchange listing standard. The Company reserves the right, without your consent, to adopt any such clawback policy, including, but not limited to, such clawback policies applicable to this Performance Award with retroactive effect.

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. 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.

Notwithstanding the preceding provisions of this Paragraph 6, your liability with respect to Tax-Related Items shall be subject to any international tax assignment agreement then in effect between you and the Company, the Employer or any of their respective affiliates or any tax policies or procedures applicable to your home

country, and in the event of any conflict between the terms of this Paragraph 6 and the terms of such international tax assignment agreement or such tax policies or procedures, the terms of such international tax assignment agreement or such tax policies or procedures, as applicable, shall control.

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 and shall not interfere with the ability of the Company, your Employer or any Subsidiary, 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; (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 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 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. The parties hereby submit to and consent to the sole and exclusive jurisdiction of Houston, Harris County, Texas, as 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, 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.

[Signatures on the following page.]

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: Stuart J. B. Bradie

Title: 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, 2016, and ending December 31, 2018.

II. Total Shareholder Return (“TSR”)

The payment of a Performance Unit will be determined, in part, 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 calendar year in which such calendar quarter occurs, 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 calendar year in which such calendar quarter occurs.

“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 calendar year in which such calendar quarter occurs (as measured by the simple average of the closing prices of a share of such stock trading during regular trading hours for the last twenty trading days preceding the beginning of such calendar year) until the end of the applicable calendar quarter to be measured during the Performance Period (as measured by the simple average of the closing prices of a share of such stock trading during regular trading hours for the last twenty trading days 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:

2016 TSR Formula - Sustained Performance

$$\text{Average indexed performance} = \frac{\sum_{q=1}^{q=12} (x_q / x)}{12}$$

where:

x = share price at beginning of calendar year in which the applicable calendar quarter occurs (measured by simple average of the closing prices of a share trading during regular trading hours for the last twenty trading days preceding the beginning of such calendar year)

x_q = closing share price at the end of each quarter (measured by simple average of the closing prices of a share trading during regular trading hours for the last twenty trading days of such calendar quarter, and adjusted for dividends paid (where the dividend payment date is the ex-dividend date))

q = quarter number (1 through 12)

Example 1:

Date	Share price * (x)	Index (x_q / x)
1/1/2016	\$20.00	
3/31/2016	\$22.00	110.0
6/30/2016	\$24.00	120.0
9/30/2016	\$21.00	105.0
12/31/2016	\$20.00	100.0
3/31/2017	\$18.00	90.0
6/30/2017	\$22.00	110.0
9/30/2017	\$25.00	125.0
12/31/2017	\$28.00	140.0
3/31/2018	\$31.00	110.7
6/30/2018	\$33.00	117.9
9/30/2018	\$30.00	107.1
12/31/2018	\$28.00	100.0

$$\sum_{q=1}^{q=12} (x_q / x) = 1,335.7$$

$$\frac{\sum_{q=1}^{q=12} (x_q / x)}{12} = 111.3$$

* Average price adjusted for dividends paid in the period, where the dividend payment date is the ex-dividend date.

B. Peer Group and TSR 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

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 TSR payouts will adjust for the change in “n” of the formula provided below; provided, however, that the adjustment must require at least a 90.0 percentile to receive the maximum TSR payout and at least a 20.0 percentile to receive the threshold TSR payout. 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 TSR Payout Table

		Threshold	Target	Maximum
Percentile	<20%	20%	50%	≥90%
TSR Payout	0%	25%	100%	200%

LTI TSR Calculation Method			
	Ranking	Percentile *	TSR Payout **
	1	100.0%	200.0%
	2	88.9%	197.3%
	3	77.8%	169.5%
	4	66.7%	141.8%
	5	55.6%	114.0%
	6	44.4%	86.0%
	7	33.3%	58.3%
	8	22.2%	30.5%
	9	11.1%	0.0%
	10	0.0%	0.0%

* Rounded to 1 decimal place.

** For a Percentile ranking between Threshold and Target or Target and Maximum, the TSR Payout percentage earned shall be determined by linear interpolation between maximum and threshold based on the Percentile ranking achieved. Rounded to 1 decimal place.

Percentile for TSR purposes

$$\text{Percentile} = \left(\frac{n - r}{n - 1} \right) * 100\%$$

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 10 companies

$$\frac{(10 - 8)}{(10 - 1)} * 100\% = 22.2\%$$

(10 - 1)

Example 3

KBR ranked 7th out of 9 companies

$$\frac{(9 - 7)}{(9 - 1)} * 100\% = 25.0\%$$

(9 - 1)

Example 2

KBR ranked 4th out of 10 companies

$$\frac{(10 - 4)}{(10 - 1)} * 100\% = 66.7\%$$

(10 - 1)

Example 4

KBR ranked 3rd out of 8 companies

$$\frac{(8 - 3)}{(8 - 1)} * 100\% = 71.4\%$$

(8 - 1)

Notwithstanding any of the foregoing or Part IV. of this Exhibit A, if you are a senior executive of the Company (as defined in Paragraph 4 of 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 negative (i.e., an index below 100), then no payment hereunder with respect to the TSR performance measure will exceed the Target (100%) payout under the TSR Peer Group Percentile and TSR Payout Table above; provided, however, that this sentence shall not apply if, pursuant to the first sentence of Paragraph 2(d) of the Agreement, your outstanding Performance Units become fully vested at the maximum earned percentage provided in Exhibit A (200%) upon a Double Trigger Event occurring during the Performance Period.

III. Cumulative Net Income and Job Income Sold (“JIS”)

The payment of a Performance Unit will be determined, in part, based on the Cumulative Net Income Percentage. The “Cumulative Net Income Percentage” shall be determined as follows:

- (i) if Cumulative Net Income exceeds \$0, then the Cumulative Net Income Percentage shall equal 200%; provided, however, that, notwithstanding the foregoing, pursuant to an exercise of negative discretion, the Committee has determined that, if Cumulative Net Income exceeds \$0, then in no event shall the Cumulative Net Income Percentage exceed the Average JIS Payout Ratio (subject to the last sentence of Part IV. of this Exhibit A);
- (ii) if Cumulative Net Income does not exceed \$0 and if the Average JIS Payout Ratio (determined by excluding all Excluded Projects from the determination of JIS and Target JIS) exceeds 0%, then the Cumulative Net Income Percentage shall equal the Average JIS Payout Ratio (determined by excluding all Excluded Projects from the determination of JIS and Target JIS and subject to the last sentence of Part IV. of this Exhibit A); and
- (iii) if neither clause (i) nor (ii) above applies, then the Cumulative Net Income Percentage shall equal 0% (subject to the last sentence of Part IV. of this Exhibit A).

For purposes of Part III. of this Exhibit A, the following terms shall have the following meanings:

“Achieved JIS” means, with respect to a calendar year during the Performance Period, a percentage (rounded to one decimal place) determined by multiplying 100% by the quotient obtained by dividing (i) the JIS for such calendar year by (ii) the Target JIS for such calendar year.

“Average JIS Payout Ratio” means the quotient obtained by dividing (i) the sum of the JIS Payout Ratios for each of the three calendar years in the Performance Period by (ii) three.

“Cumulative Net Income” means the Company’s aggregate net income as reflected in its Form 10-Ks for the three years included in the Performance Period, adjusted to exclude: restructuring charges; and one-time, non-operating related events, including, but not limited to, goodwill or intangible impairments, losses on the sale of assets, asset impairments, related to lawsuits, or related to the bankruptcy of a client that owes the Company money for services performed.

“Excluded Project” means a project determined by the Committee to have an individual value of \$500 million or more of gross revenue.

“JIS” means, with respect to a calendar year, the Company’s and its consolidated subsidiaries job income from (i) new projects awarded during such calendar year and (ii) earnings growth, contract amendments (increases or decreases), or scope adjustments (increases or decreases) during such calendar year to projects existing on the first day of such calendar year. For clarity, JIS will exclude foreign exchange fluctuations (increases or decreases) and loss adjustments, if any, on existing contracts. To clarify further, job income adjustments reflected in item (ii) also apply to new projects awarded during the calendar year. For each calendar year, JIS shall be determined without regard to any Excluded Project; provided, however, that at the end of the Performance Period, except as otherwise provided in clause (ii) of the first paragraph of Part III. of this Exhibit A, the Committee may, in its sole and absolute discretion (which discretion may be (x) exercised differently with respect to the holder of this Performance Award and any other holder or holders of a

similar type Award and (y) applied for purposes of determining the JIS and Target JIS applicable to an applicable calendar year within the Performance Period without being applied for purposes of determining the Target JIS for any other calendar year within the Performance Period), determine that JIS for such calendar year will be determined by including the Excluded Projects. In addition, for each calendar year, JIS shall be determined without regard to any business unit and/or business line that is discontinued prior to the end of the calendar year.

“JIS Payout Ratio” means, with respect to a calendar year during the Performance Period, the amount determined in accordance with the following table:

		<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
Achieved JIS for the calendar year	< Threshold Percentage for the calendar year	Threshold Percentage for the calendar year	Target Percentage for the calendar year	≥ Maximum Percentage for the calendar year
JIS Payout Ratio for the calendar year*	0%	25%	100%	200%

* If Achieved JIS for the calendar year is between the Threshold Percentage and the Target Percentage under the first row of the table above, then the JIS Payout Ratio for such calendar year shall be determined by linear interpolation between Threshold (25%) and Target (100%) based on the Achieved JIS result. If Achieved JIS for the calendar year is between the Target Percentage and the Maximum Percentage under the first row of the table above, then the JIS Payout Ratio for such calendar year shall be determined by linear interpolation between Target (100%) and Maximum (200%) based on the Achieved JIS result. Each JIS Payout Ratio determined by linear interpolation shall be rounded to one decimal place.

“Maximum Percentage” means, with respect to a calendar year during the Performance Period, a percentage established by the Committee as the Maximum Percentage for such calendar year, which percentage shall be greater than the Target Percentage established by the Committee for such calendar year; provided, however, that for purposes of clause (ii) of the first paragraph of Part III. of this Exhibit A, the “Maximum Percentage” for each calendar year during the Performance Period shall be 120%.

“Target JIS” means, with respect to a calendar year during the Performance Period (such calendar year being a “Performance Year”), the JIS for the calendar year immediately preceding the Performance Year (such immediately preceding calendar year being the “Reference Year”). Notwithstanding the foregoing, if a business unit or business line is discontinued during a Performance Year, then the applicable Target JIS shall be redetermined to exclude job income for the applicable Reference Year that is attributable to such business unit or business line. Further, if, subject to the provisions of clause (ii) of the first paragraph of Part III. of this Exhibit A, the Committee determines in its discretion to determine JIS for a Performance Year by including Excluded Projects, then the related Target JIS for such Performance Year shall be redetermined by including Excluded Projects in the determination of the JIS for the Reference Year.

“Target Percentage” means, with respect to a calendar year during the Performance Period, a percentage established by the Committee as the Target Percentage for such calendar year, which percentage shall be greater than the Threshold Percentage and less than the Maximum Percentage established by the Committee for such calendar year; provided, however, that for purposes of clause (ii) of the first paragraph of Part III. of this Exhibit A, the “Target Percentage” for each calendar year during the Performance Period shall be 90%.

“Threshold Percentage” means, with respect to a calendar year during the Performance Period, a percentage established by the Committee as the Threshold Percentage for such calendar year, which percentage shall be less than the Target Percentage established by the Committee for such calendar year; provided, however, that for purposes of clause (ii) of the first paragraph of Part III. of this Exhibit A, the “Threshold Percentage” for each calendar year during the Performance Period shall be 60%.

IV. Determination of the “Earned” Value of Performance Units

Performance Percentage	Column A	Column B			
	Weighting	<Threshold 0%	Threshold 25%	Target 100%	Maximum 200%
Company’s Average TSR Rank with Peer Group Members’ Average TSR	50%	<20%	20%	50%	90%

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 maximum and threshold 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 in the table above and the maximum Cumulative Net Income Percentage are achieved, and the Performance Unit value will be zero if the threshold performance objective for the performance measure in Column B in the table above is not achieved and the Cumulative Net Income Percentage is 0%. 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 the Performance Period shall be equal to the sum of (i) the product of 50% and the Cumulative Net Income Percentage and (ii) the product obtained by multiplying Column A by the Column B Performance Percentage result for the TSR 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, (i) the Column B result for the TSR performance measure shall be deemed to have been met at the maximum level (200%) and (ii) the Cumulative Net Income Percentage shall be deemed to have been met at the maximum level (200%).

V. 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.

VI. 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 2014. 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

Foreign Account/Asset Tax Reporting Information .

You may be required to report your foreign property on Form T1135 (Foreign Income Verification Statement) if the total cost of your foreign property exceeds C\$100,000 at any time in the year.

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.

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), unless otherwise provided in this Agreement or the Plan, your right to vest in the Performance Units, if any, will terminate effective as of the date that is the earlier of (1) the date upon which your employment with the Company or any of its Subsidiaries is terminate; (2) the date you are no longer actively employed by or providing services to the Company or any of its Subsidiaries; or (3) the date you receive written notice of termination of employment from the Employer, 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 (including whether you may be considered to be providing services while on a leave of absence).

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 directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

CHINA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Cash Awards Granted for Retention Purposes Only.

The following provision supplements Paragraph 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 Paragraphs 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 Paragraph 2(b) or 2(d) of the Agreement, 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.

INDIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

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.**

Foreign Account/Asset Tax Reporting Information .

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.

INDONESIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

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.

IRAQ
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

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ITALY
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Data Privacy Notice .

This section replaces Paragraph 9 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.

Foreign Account/Asset Tax Reporting Information .

Starting from tax returns filed in 2014 for fiscal year 2013, if you are an Italian resident who, at any time during the fiscal year, hold foreign financial assets (including cash) which may generate income taxable in Italy, you are required to report these assets on your annual tax return for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations also apply if you are the beneficial owner of foreign financial assets under Italian money laundering provisions.

Foreign Financial Assets Tax Information.

As from 2011, Italian residents may be subject to tax on the value of financial assets held outside of Italy. The taxable amount will be the fair market value of the financial assets on December 31 of each year.

JAPAN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Foreign Account/Asset Tax Reporting Information .

If you are a resident of Japan or a foreign national who has established permanent residency in Japan, 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. The penalty for fraudulent reporting is imprisonment up to one year or a fine up to ¥500,000. You should consult with your personal tax advisor as to whether the reporting obligation applies to you.

**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

Foreign Account/Asset Tax Reporting Information

You will be required to declare all foreign accounts (*i.e.*, non-Korean bank accounts, brokerage accounts, etc.) to the Korean tax authorities and file a report if the monthly balance of such accounts exceeds a certain limit (currently KRW 1 billion or an equivalent amount in foreign currency).

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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 7 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.

Labor Law Acknowledgement and Policy Statement.

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 7 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.*
- (3) *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 Mexico ("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.

PHILIPPINES
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.

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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.

Data Privacy .

The following provisions supplement Paragraph 9: Data Privacy Notice and Consent provision in the Agreement and to the extent inconsistent, the below language for Russia supersedes Paragraph 9: Data Privacy:

You understand and agree that the Company may require you to complete and return a Consent to Processing of Personal Data form (the "Consent") to the Company. If a Consent is required by the Company but you fail to provide such Consent to the Company, you understand and agree that the Company will not be able to administer or maintain the Performance Units or any other awards. Therefore, you understand that refusing to complete any required Consent or withdrawing your consent may affect your ability to participate in the Plan. For more information on any required Consent or withdrawal of consent, you understand you 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 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
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

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 repatriation. 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.

TURKEY
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

**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 United Arab Emirates ("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 6 of the Agreement:

Notwithstanding Paragraph 6 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 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. 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 6 of the Agreement.

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS AMENDED**

I, Stuart Bradie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBR, Inc. (the “registrant”);
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 29, 2016

/s/ Stuart Bradie

Stuart Bradie
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE
ACT OF 1934, AS AMENDED**

I, Brian K. Ferraioli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBR, Inc. (the “registrant”);
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 29, 2016

/s/ Brian K. Ferraioli

Brian K. Ferraioli
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER SECTION 906 OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C 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, 2016 , 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 as amended; 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/ Stuart Bradie

Stuart Bradie
Chief Executive Officer

Date: April 29, 2016

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C 2002**

The undersigned, the Chief Financial 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, 2016 , 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 as amended; 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/ Brian K. Ferraioli

Brian K. Ferraioli
Chief Financial Officer

Date: April 29, 2016