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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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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, 2017  
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)*

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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 or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) if the Exchange Act.

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 11, 2017, there were 143,154,471 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 Exchange Act, 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 2016 Annual Report on Form 10-K contained in Part I under "Risk Factors" and in this Quarterly Report on Form 10-Q in Part II 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.*

## Glossary of Terms

The following frequently used abbreviations or acronyms are used in this Quarterly Report on Form 10-Q as defined below:

<b>Abbreviation/Acronym</b>	<b>Definition</b>
Affinity	Affinity Flying Training Services Ltd.
AOCL	Accumulated other comprehensive loss
ASBCA	Armed Services Board of Contract Appeals
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BIE	Billings in excess of costs and estimated earnings on uncompleted contracts
CAS	Cost Accounting Standards
CIE	Costs and estimated earnings in excess of billings on uncompleted contracts
CODM	Chief operating decision maker
COFC	U.S. Court of Federal Claims
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DoD	Department of Defense
DOJ	U.S. Department of Justice
E&C	Engineering & Construction
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPC	Engineering, procurement and construction
EPIC	EPIC Piping LLC
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934
FAR	Federal Acquisition Regulation
FASB	Financial Accounting Standards Board
FCA	False Claims Act
FEED	Front end engineering and design
FKTC	First Kuwaiti Trading Company
FLNG	Floating liquefied natural gas
FPSO	Floating production, storage and offshore
FPU	Floating production units
FSRU	Floating storage and regasification unit
GS	Government Services
GTL	Gas to liquids
HETs	Heavy equipment transporters
HTSI	Honeywell Technology Solutions Inc.
ICC	International Chamber of Commerce
Ichthys JV	Ichthys LNG project, an Australian joint venture
KTS	KBRwyle Technology Solutions, LLC
LIBOR	London interbank offered rate
LNG	Liquefied natural gas
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations (Part I, Item 2 of this Quarterly Report on Form 10-Q)
MFRs	Memorandums of Record
MoD	Ministry of Defense

<b>Abbreviation/Acronym</b>	<b>Definition</b>
NCI	Noncontrolling interests
PEMEX	Petróleos Mexicanos
PEP	Pemex Exploration and Production
PFI	Privately financed initiatives and projects
PIC	Paid-in capital
PPE	Property, Plant and Equipment
RIO	Restore Iraqi Oil
SFO	U.K. Serious Fraud Office
SEC	U.S. Securities and Exchange Commission
T&C	Technology & Consulting
TSA	Transition Service Agreement
U.K.	United Kingdom
U.S.	United States
U.S. GAAP	Accounting principles generally accepted in the United States
UKMFTS	U.K. Military Flying Training System
VAT	Value-added tax
VIEs	Variable interest entities
Wyle	Wyle Inc.

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,	
	2017	2016
Revenues	\$ 1,106	\$ 996
Cost of revenues	(1,024)	(928)
<b>Gross profit</b>	<b>82</b>	<b>68</b>
Equity in earnings of unconsolidated affiliates	9	29
General and administrative expenses	(32)	(34)
Asset impairment and restructuring charges	—	(2)
Gain on disposition of assets	4	4
<b>Operating income</b>	<b>63</b>	<b>65</b>
Other non-operating expense	(12)	(5)
<b>Income before income taxes and noncontrolling interests</b>	<b>51</b>	<b>60</b>
Provision for income taxes	(13)	(15)
<b>Net income</b>	<b>38</b>	<b>45</b>
Net income attributable to noncontrolling interests	(1)	(3)
<b>Net income attributable to KBR</b>	<b>\$ 37</b>	<b>\$ 42</b>
<b>Net income attributable to KBR per share:</b>		
Basic	\$ 0.26	\$ 0.30
Diluted	\$ 0.26	\$ 0.30
<b>Basic weighted average common shares outstanding</b>	<b>143</b>	<b>142</b>
<b>Diluted weighted average common shares outstanding</b>	<b>143</b>	<b>142</b>
<b>Cash dividends declared per share</b>	<b>\$ 0.08</b>	<b>\$ 0.08</b>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2017	2016
<b>Net income</b>	\$ 38	\$ 45
<b>Other comprehensive income, net of tax:</b>		
<u>Foreign currency translation adjustments:</u>		
Foreign currency translation adjustments, net of tax	14	16
Reclassification adjustment included in net income	—	—
<b>Foreign currency translation adjustments, net of taxes of \$4 and \$2</b>	<b>14</b>	<b>16</b>
<u>Pension and post-retirement benefits, net of tax:</u>		
Actuarial losses, net of tax	—	—
Reclassification adjustment included in net income	6	6
<b>Pension and post-retirement benefits, net of taxes of \$(2) and \$(1)</b>	<b>6</b>	<b>6</b>
<b>Other comprehensive income, net of tax</b>	<b>20</b>	<b>22</b>
Comprehensive income	58	67
Less: Comprehensive income attributable to noncontrolling interests	(1)	(2)
<b>Comprehensive income attributable to KBR</b>	<b>\$ 57</b>	<b>\$ 65</b>

See accompanying notes to condensed consolidated financial statements.

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

	March 31, 2017	December 31, 2016
	(Unaudited)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and equivalents	\$ 410	\$ 536
Accounts receivable, net of allowance for doubtful accounts of \$9 and \$14	562	592
Costs and estimated earnings in excess of billings on uncompleted contracts	414	416
Claims receivable	400	400
Other current assets	95	103
<b>Total current assets</b>	<b>1,881</b>	<b>2,047</b>
Claims and accounts receivable	122	131
Property, plant, and equipment, net of accumulated depreciation of \$315 and \$324 (including net PPE of \$35 and \$36 owned by a variable interest entity)	143	145
Goodwill	959	959
Intangible assets, net of accumulated amortization of \$107 and \$100	242	248
Equity in and advances to unconsolidated affiliates	369	369
Deferred income taxes	119	118
Other assets	127	127
<b>Total assets</b>	<b>\$ 3,962</b>	<b>\$ 4,144</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 462	\$ 535
Billings in excess of costs and estimated earnings on uncompleted contracts	433	552
Accrued salaries, wages and benefits	187	171
Nonrecourse project debt	9	9
Other current liabilities	252	292
<b>Total current liabilities</b>	<b>1,343</b>	<b>1,559</b>
Pension obligations	518	526
Employee compensation and benefits	106	113
Income tax payable	79	78
Deferred income taxes	150	149
Nonrecourse project debt	35	34
Revolving credit agreement	650	650
Deferred income from unconsolidated affiliates	90	90
Other liabilities	200	200
<b>Total liabilities</b>	<b>3,171</b>	<b>3,399</b>
<b>KBR shareholders' equity:</b>		
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, 176,348,960 and 175,913,310 shares issued, and 143,146,055 and 142,803,782 shares outstanding	—	—
Paid-in capital in excess of par	2,090	2,088
Accumulated other comprehensive loss	(1,030)	(1,050)
Retained earnings	513	488
Treasury stock, 33,202,905 and 33,109,528 shares, at cost	(770)	(769)
<b>Total KBR shareholders' equity</b>	<b>803</b>	<b>757</b>
Noncontrolling interests	(12)	(12)
<b>Total shareholders' equity</b>	<b>791</b>	<b>745</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,962</b>	<b>\$ 4,144</b>

See accompanying notes to condensed consolidated financial statements.





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

	Three Months Ended March 31,	
	2017	2016
<b>Cash flows used in operating activities:</b>		
Net income	\$ 38	\$ 45
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	13	9
Equity in earnings of unconsolidated affiliates	(9)	(29)
Deferred income tax expense	5	2
Other	6	8
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	38	54
Costs and estimated earnings in excess of billings on uncompleted contracts	4	5
Accounts payable	(75)	(9)
Billings in excess of costs and estimated earnings on uncompleted contracts	(124)	(46)
Accrued salaries, wages and benefits	16	(20)
Reserve for loss on uncompleted contracts	(22)	(16)
Payments from (advances to) unconsolidated affiliates, net	1	(8)
Distributions of earnings from unconsolidated affiliates	14	20
Income taxes payable	6	1
Pension funding	(9)	(10)
Net settlement of derivative contracts	(2)	(4)
Other assets and liabilities	(15)	(23)
<b>Total cash flows used in operating activities</b>	<b>\$ (115)</b>	<b>\$ (21)</b>
<b>Cash flows used in investing activities:</b>		
Purchases of property, plant and equipment	\$ (3)	\$ (3)
Acquisition of businesses, net of cash acquired	2	(22)
<b>Total cash flows used in investing activities</b>	<b>\$ (1)</b>	<b>\$ (25)</b>
<b>Cash flows used in financing activities:</b>		
Payments to reacquire common stock	\$ (2)	\$ (2)
Distributions to noncontrolling interests	(1)	(6)
Payments of dividends to shareholders	(12)	(11)
Excess tax benefits from share-based compensation	—	1
<b>Total cash flows used in financing activities</b>	<b>\$ (15)</b>	<b>\$ (18)</b>
Effect of exchange rate changes on cash	5	5
Decrease in cash and equivalents	(126)	(59)
Cash and equivalents at beginning of period	536	883
<b>Cash and equivalents at end of period</b>	<b>\$ 410</b>	<b>\$ 824</b>
<b>Supplemental disclosure of cash flows information:</b>		
Cash paid for interest	\$ 6	\$ 2
Cash paid for income taxes (net of refunds)	\$ 3	\$ 7
<b>Noncash financing activities</b>		
Dividends declared	\$ 12	\$ 11

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 a global provider of differentiated, professional services and technologies across the asset and program life-cycle within the government services and hydrocarbons industries. Our capabilities include highly-specialized engineering services, mission and logistics support solutions, technology licensing, consulting, procurement, construction, construction management, program management, operations, maintenance and other support services to a diverse customer base, including domestic and foreign governments, international and national oil and gas companies, independent refiners, petrochemical producers, fertilizer producers and manufacturers.

***Principles of Consolidation***

Our condensed consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of KBR and our wholly owned and majority-owned subsidiaries and 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 9 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, including recognition of estimated losses on uncompleted contracts
- project revenues, award fees, costs and profits on government services 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
- valuation of assets and liabilities acquired in business combinations

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*

*Compensation* . Effective January 1, 2017, we adopted ASU No. 2016-09, Compensation - Stock Compensation (Topic 718) - Improvements to Employee Share-Based Payment Accounting which was issued by the FASB on March 31, 2016. This ASU 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. ASU 2016-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. The adoption of ASU 2016-09 did not have a material impact on our financial statements.

### *Additional Balance Sheet Information*

#### *Other Current Liabilities*

The components of "other current liabilities" on our condensed consolidated balance sheets as of March 31, 2017 and December 31, 2016 are presented below:

<i>Dollars in millions</i>	<b>March 31,</b>	<b>December 31,</b>
	<b>2017</b>	<b>2016</b>
Reserve for estimated losses on uncompleted contracts (a)	\$ 42	\$ 63
Retainage payable	49	47
Income taxes payable	55	55
Restructuring reserve	15	30
Taxes payable not based on income	13	14
Value-added tax payable	17	16
Insurance payable	15	14
Dividend payable	12	12
Other miscellaneous liabilities (b)	34	41
Total other current liabilities	<u>\$ 252</u>	<u>\$ 292</u>

(a) See Note 2 to our condensed consolidated financial statements for further discussion on significant reserves for estimated losses on uncompleted contracts.

(b) Included in "other miscellaneous liabilities" is deferred rent of \$4 million as of March 31, 2017 and December 31, 2016 .

#### *Other Liabilities*

Included in "other liabilities" on our condensed consolidated balance sheets as of March 31, 2017 and December 31, 2016 is noncurrent deferred rent of \$102 million and \$103 million , respectively. Also included in "other liabilities" is a payable to our former parent of \$19 million in each of the periods presented. This amount will be paid to our former parent upon receipt of a tax refund from the U.S. Internal Revenue Service.

## 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 technical services relating to government services, technology and consulting, and engineering and construction. 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 reflects a reportable segment led by a separate business segment president who reports directly to our CODM. Our business segments are described below.

**Government Services.** Our GS business segment provides full life-cycle support solutions to defense, space, aviation and other programs and missions for government agencies in the U.S., U.K. and Australia. As program management integrator, KBR covers the full spectrum of defense, space, aviation and other government programs and missions from research and development; through systems engineering, test and evaluation, systems integration and program management; to operations support, maintenance and field logistics. Our recent acquisitions, as described in Note 3 to our condensed consolidated financial statements, have been combined with our existing U.S. operations within this business segment and operate under the single "KBRwyle" brand.

**Technology & Consulting.** 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 segment provides licensed technologies, know-how and consulting services to the hydrocarbons value chain, from wellhead to crude refining and through refining and petrochemicals 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 customers' objectives through early planning and scope definition, advanced technologies, and project life-cycle support.

**Engineering & Construction.** Our E&C business segment provides comprehensive project and program delivery capability globally. Our key capabilities leverage our operational and technical excellence as a global provider of EPC for onshore oil and gas; LNG/GTL; oil refining; petrochemicals; chemicals; fertilizers; offshore oil and gas (shallow-water, deep-water and subsea); floating solutions (FPUs, FPSO, FLNG & FSRU); and maintenance services (via the "Brown & Root Industrial Services" brand).

**Non-strategic Business.** Our Non-strategic Business segment represents the operations or activities that we intend to exit upon completion of existing contracts.

**Other.** Our Other business segment includes 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,	
	2017	2016
<b>Revenues:</b>		
Government Services	\$ 515	\$ 210
Technology & Consulting	76	97
Engineering & Construction	489	606
Other	—	—
Subtotal	1,080	913
Non-strategic Business	26	83
Total revenues	<u>\$ 1,106</u>	<u>\$ 996</u>
<b>Gross profit (loss):</b>		
Government Services	\$ 37	\$ 21
Technology & Consulting	14	17
Engineering & Construction	33	29
Other	—	—
Subtotal	84	67
Non-strategic Business	(2)	1
Total gross profit (loss)	<u>\$ 82</u>	<u>\$ 68</u>
<b>Equity in earnings of unconsolidated affiliates:</b>		
Government Services	\$ 9	\$ 11
Technology & Consulting	—	—
Engineering & Construction	—	18
Other	—	—
Subtotal	9	29
Non-strategic Business	—	—
Total equity in earnings of unconsolidated affiliates	<u>\$ 9</u>	<u>\$ 29</u>
<b>Segment operating income (loss):</b>		
Government Services	\$ 40	\$ 30
Technology & Consulting	13	15
Engineering & Construction	32	37
Other	(20)	(22)
Subtotal	65	60
Non-strategic Business	(2)	5
Total segment operating income (loss)	<u>\$ 63</u>	<u>\$ 65</u>

### Changes in Project-related Estimates

There are many factors that may 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. With a portfolio of more than one thousand contracts, we sometimes realize both lower and higher than expected margins on projects in any given period. 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.

Changes in project-related estimates by business segment, which significantly impacted operating income during the periods presented, are as follows:

### ***Government Services***

There were no significant changes to contract estimates during the three months ended March 31, 2017 within our GS Business segment.

During the three months ended March 31, 2016 , we recognized a \$15 million favorable change to gross profit related to the approval of a change order on a road construction project in the Middle East.

### ***Engineering & Construction***

There were no significant changes to contract estimates during the three months ended March 31, 2017 within our E&C business segment.

During the three months ended March 31, 2016 , we recognized unfavorable changes in estimates of losses of \$30 million , on an EPC ammonia project in the U.S. primarily due to unforeseen costs related to the mechanical failure of a vendor supplied compressor and pumps that occurred during commissioning. The project was transferred to the customer in October 2016. Included in the reserve for estimated losses on uncompleted contracts, which is a component of "other current liabilities" on our condensed consolidated financial statements, is \$2 million and \$3 million as of March 31, 2017 and December 31, 2016 , respectively, related to this project.

Revenues, gross profit, and segment operating income for the three months ended March 31, 2016 include \$20 million related to a favorable change in estimate as a result of reaching a settlement on close out of a LNG project in Africa.

During 2016 , we experienced weather delays and forecast construction productivity rates less than previously expected on a downstream EPC project in the U.S. These issues delayed completion of the project until 2018, which resulted in additional estimated costs to complete and caused this project to become a loss project in the fourth quarter of 2016 . There were no significant changes in estimated losses on this project during the three months ended March 31, 2017 . Included in the reserve for estimated losses on uncompleted contracts is \$26 million and \$35 million as of March 31, 2017 and December 31, 2016 , respectively, related to this project. The EPC project was 69% complete as of March 31, 2017 . Our estimated loss at completion represents our best estimate based on current information. Actual results could differ from the estimates we have used to account for this project as of March 31, 2017 .

### ***Non-strategic Business***

There were no significant changes to contract estimates during the three months ended March 31, 2017 within our Non-strategic Business segment.

During the three months ended March 31, 2016 , we recognized unfavorable changes in estimates of losses on a power project of \$5 million , primarily due to increases in subcontractor costs to complete the project as a result of poor productivity from subcontractors. The project has completed performance testing and in April 2017, care, custody and control of the project were transferred to the customer. Included in the reserve for estimated losses on uncompleted contracts is \$5 million and \$14 million as of March 31, 2017 and December 31, 2016 , respectively, related to this project.

## **Note 3 . Acquisitions, Dispositions and Other Transactions**

### ***Wyle and Honeywell Technology Solutions Inc. Acquisitions***

During the third quarter of 2016, we acquired 100% of the equity interests of Wyle and 100% of the outstanding common stock of HTSI, which we converted into KTS. The aggregate consideration paid for these acquisitions was \$900 million , which was funded with \$700 million in advances on our Credit Agreement and available cash on-hand. See Note 11 to our condensed consolidated financial statements for information related to our Credit Agreement.

Certain data necessary to complete the purchase price allocation of the Wyle acquisition is not yet available and primarily relates to final tax returns that provide the underlying tax basis of assets and liabilities. The purchase price allocation for the KTS acquisition was completed during the three months ended March 31, 2017. These acquisitions are reported within our GS business segment.

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

<i>Dollars in millions</i>	Wyle	KTS
Fair value of total consideration transferred	\$ 623	\$ 280
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	10	—
Trade receivables, net	47	29
CIE	98	93
Prepays and other current assets	4	5
Total current assets	159	127
Property, plant and equipment, net	10	7
Intangible assets	141	70
Deferred income taxes	—	8
Total assets	310	212
Accounts payable	59	23
BIE	—	5
Other current liabilities	47	35
Total current liabilities	106	63
Deferred income taxes	52	—
Other liabilities	12	—
Total liabilities	170	63
Goodwill	\$ 483	\$ 131

The acquired Wyle and KTS businesses contributed \$170 million and \$129 million of revenues and \$13 million and \$9 million of gross profit, respectively, for the three months ended March 31, 2017.

The following supplemental pro forma condensed consolidated results of operations assume that Wyle and KTS had been acquired as of January 1, 2015. The supplemental pro forma financial information was prepared based on the historical financial information of Wyle and KTS and has been adjusted to give effect to pro forma adjustments that are directly attributable to the transaction. The pro forma amounts reflect certain adjustments to amortization expense and interest expense associated with the portion of the purchase price funded by \$700 million in advances on our Credit Agreement and also reflect adjustments to 2016 results to exclude acquisition related costs as they are nonrecurring and are directly attributable to the transaction. The supplemental pro forma financial information presented below does not include any anticipated cost savings or expected realization of other synergies associated with the transactions. Accordingly, this supplemental pro forma financial information is presented for informational purposes only and is not necessarily indicative of what the actual results of operations of the combined company would have been had the acquisitions occurred on January 1, 2015, nor is it indicative of future results of operations.

<i>Dollars in millions, except per share data</i>	Three Months Ended March 31, 2016 (Unaudited)	
Revenue	\$	1,343
Net income attributable to KBR		54
Diluted earnings per share	\$	0.38



### *Chematur Subsidiaries Acquisition*

On January 11, 2016, we acquired 100% of the outstanding common stock of three subsidiaries of Connell Chemical Industry LLC. The aggregate consideration paid for the acquisition was \$25 million, less \$2 million of acquired cash and other adjustments resulting in net cash consideration of \$23 million. We recognized goodwill of \$24 million arising from the acquisition. This acquisition is reported within our T&C business segment.

### *New Investments*

*UKMFTS project.* In February 2016, we executed agreements to establish a new joint venture between KBR and Elbit Systems within our GS business segment, named Affinity. Affinity 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 provide procurement, operations and management support services under subcontracts with Affinity. During the first quarter of 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. This amount is included in the "equity in and advances to unconsolidated affiliates" balance on our consolidated balance sheets as of March 31, 2017 and in "(advances to) payments from unconsolidated affiliates, net" in our consolidated statement of cash flows for the three months ended March 31, 2016.

### **Note 4 . 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, 2017		
	International (a)	Domestic (b)	Total
Operating cash and equivalents	\$ 103	\$ 216	\$ 319
Short-term investments (c)	25	8	33
Cash and equivalents held in joint ventures	55	3	58
Total	<u>\$ 183</u>	<u>\$ 227</u>	<u>\$ 410</u>

  

<i>Dollars in millions</i>	December 31, 2016		
	International (a)	Domestic (b)	Total
Operating cash and equivalents	\$ 163	\$ 242	\$ 405
Short-term investments (c)	68	7	75
Cash and equivalents held in joint ventures	50	6	56
Total	<u>\$ 281</u>	<u>\$ 255</u>	<u>\$ 536</u>

(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 5 . 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, 2017		
	Retainage	Trade & Other	Total
Government Services	\$ 7	\$ 194	\$ 201
Technology & Consulting	—	46	46
Engineering & Construction	53	246	299
Other	—	4	4
Subtotal	60	490	550
Non-strategic Business	5	7	12
Total	\$ 65	\$ 497	\$ 562

<i>Dollars in millions</i>	December 31, 2016		
	Retainage	Trade & Other	Total
Government Services	\$ 6	\$ 190	\$ 196
Technology & Consulting	—	52	52
Engineering & Construction	53	276	329
Other	—	3	3
Subtotal	59	521	580
Non-strategic Business	5	7	12
Total	\$ 64	\$ 528	\$ 592

**Note 6 . 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,	December 31,
	2017	2016
Government Services	\$ 262	\$ 271
Technology & Consulting	49	30
Engineering & Construction	103	115
Subtotal	414	416
Non-strategic Business	—	—
Total	\$ 414	\$ 416

Our BIE balances by business segment are as follows:

<i>Dollars in millions</i>	March 31,	December 31,
	2017	2016
Government Services	\$ 70	\$ 76
Technology & Consulting	58	61
Engineering & Construction	290	388
Subtotal	418	525
Non-strategic Business	15	27
Total	\$ 433	\$ 552

### *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>	2017	2016
Amounts included in project estimates-at-completion at January 1,	\$ 285	\$ 104
Additions	133	23
Approved change orders	(2)	(28)
Amounts included in project estimates-at-completion at March 31,	\$ 416	\$ 99
Amounts recognized on a percentage-of-completion basis at March 31,	\$ 344	\$ 75

*Ichthys LNG project.* A significant portion of the amounts disclosed above relate to our proportionate share of unapproved change orders and claims associated with our 30% ownership interest in the Ichthys JV which has contracted to perform the engineering, procurement, supply, construction and commissioning of onshore LNG facilities for a client in Darwin, Australia. The contract between the Ichthys JV and its client is a hybrid contract containing both cost-reimbursable and fixed-price (including unit-rate) scopes.

The Ichthys JV has entered into commercial contracts with multiple subcontractors to execute various scopes of work on the project. Certain of these subcontractors have made contract claims against the Ichthys JV for recovery of costs and an extension of time in order to progress the works under the scope of their respective contracts due to a variety of issues related to changes to the scope of work, delays and lower than planned subcontractor productivity. In addition, the Ichthys JV has or is expected to incur incremental costs due to these circumstances. Some of these claims relate to cost-reimbursable work between the Ichthys JV and its client while other claims relate to fixed-price scopes of work, including unit-rate components.

We believe any amounts paid or payable to the subcontractors in settlement of their contract claims related to cost-reimbursable scopes of work is an adjustment to the contract price under the reimbursable portion of the contract between the Ichthys JV and its client; however, the client has disputed these contract price adjustments. In order to facilitate the continuation of work under the contract while we work to resolve this dispute, the client has agreed to a contractual mechanism ("Deed of Settlement") providing funding in the form of an interim contract price adjustment to the Ichthys JV for settlement of certain subcontractor claims related to cost-reimbursable scopes of work. The Ichthys JV has in turn settled these subcontractor claims relating to cost-reimbursable work which have been funded through the Deed of Settlement by the client.

If the Ichthys JV does not resolve the claims under the Deed of Settlement with its client by December 31, 2020, it will be required to refund sums in excess of the final adjusted contract price with the client under the terms of the Deed of Settlement. We, along with our joint venture partners, are jointly and severally liable to the client for any amounts required to be refunded. If the negotiation does not lead to a timely settlement, the Ichthys JV may file for arbitration against the client to resolve these open reimbursable subcontractor claims prior to December 31, 2020.

In addition, the Ichthys JV continues to pursue resolution of additional claims related to both the reimbursable and fixed-price portions of the contract which were not covered by the Deed of Settlement through direct negotiation with the client.

There are also additional costs that have resulted in unfavorable changes to the estimated profit at completion for which the Ichthys JV continues to pursue recovery with the client. Together, these additional change orders, claims and additional costs have resulted in a reduction to our percentage of completion progress for the three months ended March 31, 2017 .

In accordance with U.S. GAAP and our accounting policy for unapproved change orders and claims, without customer approval or equivalent persuasive evidence of recovery, we are limited on the amount of unapproved change orders and claims revenues that we can recognize for a specific claim in our estimate of revenue and profit at completion. The Ichthys JV intends to vigorously pursue negotiation and recovery of the gross claims against our client, which when approved or deemed probable of recovery under our accounting policies, could result in revenues and profit at completion in excess of what we have been able to recognize as of March 31, 2017.

It is anticipated that these commercial matters may not be resolved in the near term. If these matters are not resolved for the amounts recorded, or to the extent the Ichthys JV is not successful in recovering amounts contractually due under the Deed of Settlement, it could have an adverse effect on our results of operations, financial position and cash flows.

The Ichthys JV awarded a fixed-price subcontract for the design, construction and commissioning of a combined cycle power plant on the Ichthys JV site, which is pursuant to the Ichthys JV's fixed-price portion of its contract with the client. The subcontractor is a consortium consisting of a joint venture between UGL Infrastructure Pty Limited and CH2M Hill (the "UGL-CH2M Hill JV"), and General Electric and GE Electrical International Inc (collectively, the "Consortium"). On January 25, 2017, the Ichthys JV received Notice of Termination from the Consortium. The Ichthys JV has evaluated the cost to complete the Consortium's work, which exceeds the subcontract value. The additional cost amounts, including probable claim revenue, have been included in the Ichthys JV's estimate to complete the Consortium's remaining obligation. The Ichthys JV believes the Consortium breached its contract and will pursue recourse against the Consortium to recover the additional amounts needed to complete the remaining work on the combined cycle power plant, inclusive of calling bank guarantees (bonds) and parent guarantees provided by the Consortium partners. Each of the Consortium partners has joint and several liability with respect to all obligations under the subcontract. We expect the Consortium to challenge the Ichthys JV's recourse actions. If the Ichthys JV is unsuccessful in recovering such costs, we would be responsible for our pro-rata portion of unrecovered costs. This could have a material adverse impact on the profit at completion of the contract and thus on our consolidated statements of operations, financial position and cash flow.

### ***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. Any accrued liquidated damages are recognized as a reduction in revenues in our condensed consolidated statements of operations.

It is possible that liquidated damages related to several projects totaling \$10 million and \$8 million at March 31, 2017 and December 31, 2016, respectively, could be incurred if the projects are completed as currently forecasted. However, based upon our evaluation of our performance and other mitigating factors, we have concluded these liquidated damages are not probable and therefore, they have not been recognized.

### **Note 7 . Claims and Accounts Receivable**

Our claims and accounts receivable balance not expected to be collected within the next 12 months was \$122 million and \$131 million as of March 31, 2017 and December 31, 2016, respectively. Claims and accounts receivable primarily reflects claims filed with the U.S. government related to payments not yet received for costs incurred under various U.S. government contracts within our GS business segment. These claims relate to disputed costs or contracts where our costs have exceeded the U.S. government's funded value on the task order. Included in the amount is \$83 million as of March 31, 2017 and December 31, 2016, related to Form 1s issued by the U.S. government questioning or objecting to costs billed to them. See Note 13 of our condensed consolidated financial statements for additional discussions. The amount also includes \$39 million and \$48 million as of March 31, 2017 and December 31, 2016, respectively, related to contracts where our costs have exceeded the U.S. government's funded values on the underlying task orders or task orders where the U.S. government has not authorized us to bill. 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 8 . Restructuring

In connection with our long-term strategic reorganization, we announced that beginning in the fourth quarter of 2014 we would undertake a restructuring, which would include actions such as reducing the amount of real estate we utilized and significantly reducing our workforce. There were additional actions undertaken in 2015 and 2016, including staff reductions to support current business levels. The employees affected by these reductions are eligible for separation benefits upon their expected termination dates which have occurred or are expected to occur through 2017. The table below provides a rollforward 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>	<b>Severance Accrual</b>
Balance at December 31, 2016	\$ 8
Charges	—
Payments	(4)
Balance at March 31, 2017	\$ 4
Balance at December 31, 2015	\$ 19
Charges	5
Payments	(7)
Balance at March 31, 2016	\$ 17

## Note 9 . Equity Method Investments and Variable Interest Entities

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

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

<i>Dollars in millions</i>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Beginning balance	\$ 369	\$ 281
Equity in earnings of unconsolidated affiliates	9	91
Distribution of earnings of unconsolidated affiliates (a)	(14)	(56)
Advances (receipts)	(1)	1
Investments (b)	—	61
Foreign currency translation adjustments	8	(8)
Other	—	(8)
Balance before reclassification	\$ 371	\$ 362
Reclassification of excess distributions (a)	—	12
Recognition of excess distributions (a)	(2)	(5)
Ending balance	\$ 369	\$ 369

(a) We received 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 recorded 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.

(b) In 2016, investments included a \$56 million investment in the Brown & Root Industrial Services joint venture and a \$5 million investment in the EPIC joint venture.

### *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 JV executes a project that has both cost-reimbursable and lump sum components; in addition to the maximum exposure to loss indicated in the table below, we have an exposure to funding any future losses to the extent of our ownership percentage in the joint venture and to the extent any of our joint venture partners are unable to meet their obligations, as we have joint and several liability. 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 various challenges including restricted port access in Egypt to ship products to international customers.

The following summarizes the total assets and total liabilities as reflected in our condensed consolidated balance 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, 2017		
	Total assets	Total liabilities	Maximum exposure to loss (a)
Affinity project	\$ 12	\$ 3	\$ 12
Aspire Defence project	\$ 13	\$ 104	\$ 13
Ichthys LNG project	\$ 122	\$ 28	\$ 122
U.K. Road projects	\$ 32	\$ 10	\$ 32
EBIC Ammonia plant (65% interest)	\$ 33	\$ 2	\$ 22

  

<i>Dollars in millions</i>	December 31, 2016		
	Total assets	Total liabilities	Maximum exposure to loss (a)
Affinity project	\$ 12	\$ 3	\$ 12
Aspire Defence project	\$ 14	\$ 107	\$ 14
Ichthys LNG project	\$ 124	\$ 33	\$ 124
U.K. Road projects	\$ 30	\$ 9	\$ 30
EBIC Ammonia plant (65% interest)	\$ 34	\$ 2	\$ 22

(a) Excludes exposure to funding any future losses to the extent of our ownership percentage in the joint venture and joint and several liability to the extent any of our joint venture partners are unable to meet their obligations.

### *Related Party Transactions*

We often provide engineering, construction management and other subcontractor services to our joint ventures and our revenues include amounts related to these services. For the three months ended March 31, 2017 and 2016, our revenues included \$27 million and \$99 million, respectively, related to the services we provided to our joint ventures, primarily the Ichthys JV within our E&C business segment. Under the terms of an alliance agreement with our EPIC joint venture, EPIC provides certain pipe fabrication services to KBR. For the three months ended March 31, 2017 and 2016, EPIC provided \$2 million and \$5 million, respectively of services to KBR under the agreement.

Under the terms of our TSA with Brown & Root Industrial Services joint venture, we collect cash from customers and make payments to vendors and employees on behalf of the joint venture. For the three months ended March 31, 2017 and 2016, we incurred approximately \$2 million and \$4 million, respectively, 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, 2017 and December 31, 2016 are as follows:

<i>Dollars in millions</i>	March 31,	December 31,
	2017	2016
Accounts receivable, net of allowance for doubtful accounts (a)	\$ 17	\$ 22
Costs and estimated earnings in excess of billings on uncompleted contracts (b)	\$ 1	\$ 1
Billings in excess of costs and estimated earnings on uncompleted contracts (b)	\$ 34	\$ 41

(a) Includes an \$8 million and \$11 million net receivable from the Brown & Root Industrial Services joint venture at March 31, 2017 and December 31, 2016, respectively.

(b) Reflects CIE and BIE primarily related to joint ventures within our E&C business segment as discussed above.

### 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, 2017	
	Total assets	Total liabilities
Gorgon LNG project	\$ 26	\$ 59
Escravos Gas-to-Liquids project	\$ 8	\$ 16
Fastrax Limited project	\$ 59	\$ 53

<i>Dollars in millions</i>	December 31, 2016	
	Total assets	Total liabilities
Gorgon LNG project	\$ 28	\$ 60
Escravos Gas-to-Liquids project	\$ 11	\$ 22
Fastrax Limited project	\$ 56	\$ 50

### Note 10 . Pension Plans

The components of net periodic benefit cost related to pension benefits for the three months ended March 31, 2017 and 2016 were as follows:

<i>Dollars in millions</i>	Three Months Ended March 31,			
	2017		2016	
	United States	Int'l	United States	Int'l
<b>Components of net periodic benefit cost</b>				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	1	13	1	17
Expected return on plan assets	(1)	(18)	(1)	(23)
Recognized actuarial loss	—	8	—	7
Net periodic benefit cost	\$ —	\$ 3	\$ —	\$ 1

For the three months ended March 31, 2017, we have contributed approximately \$9 million of the \$36 million we expect to contribute to our international plans in 2017.

## Note 11 . Debt and Other Credit Facilities

### *Credit Agreement*

On September 25, 2015, we entered into a \$1 billion , unsecured revolving credit agreement (the "Credit Agreement") with a syndicate of banks. 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 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, 2017 , there were \$39 million in letters of credit outstanding. As a result of the Wyle and KTS acquisitions discussed in Note 3 to our condensed consolidated financial statements, we funded \$700 million of acquisition consideration with borrowings under our Credit Agreement, of which \$650 million remains outstanding as of March 31, 2017 . Interest expense for the three months ended March 31, 2017 was \$4 million .

The Credit Agreement contains customary covenants as defined by the agreement which include financial covenants requiring maintenance of a ratio of consolidated debt to a rolling four-quarter 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. In December 2016, we obtained an amendment to the debt to EBITDA financial covenant to eliminate the impact, for certain periods and subject to certain dollar limits, of previously recorded project losses attributed to an EPC ammonia project and a power project in the U.S. The amendment also amends the maximum ratio of consolidated debt to consolidated EBITDA to 3.25 to 1 effective for periods after December 31, 2017 . As of March 31, 2017 , 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 14 to our condensed consolidated financial statements). As of March 31, 2017 , the remaining availability under the Distribution Cap was approximately \$641 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. MoD to provide a Heavy Equipment Transporter Service to the British Army. Under the terms of the arrangement, Fasttrax Limited operates and maintains 91 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 12 . Income Taxes**

The effective tax rate was approximately 25% for the three months ended March 31, 2017 and 2016 .

Our estimated annual effective tax rate for 2017 is 25% , which is lower than the U.S. statutory rate of 35% primarily due to the rate differential on our foreign earnings as well as non-controlling interests and equity earnings. Our estimated annual effective rate is subject to change based on the actual jurisdictions where our 2017 earnings are generated.

The valuation allowance for deferred tax assets as of March 31, 2017 and December 31, 2016 was \$539 million and \$542 million , respectively. The valuation allowance decreased by \$3 million in the three months ended March 31, 2017 . There was no change in the valuation allowance in the three months ended March 31, 2016 . 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, 2017 and December 31, 2016 was \$262 million and \$261 million , respectively. The net increase in the uncertain tax position was \$1 million for the three months ended March 31, 2017 and 2016 .

#### **Note 13 . U.S. Government Matters**

We provide services to various U.S. governmental agencies, which include the U.S. 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. The negotiation, administration and settlement of our contracts are subject to audit by the DCAA. The DCAA serves in an advisory role to the 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 FAR and CAS, compliance with certain unique contract clauses and audits of certain aspects of our internal control systems. Based on the information received to date, we do not believe the completed or ongoing government audits will have a material adverse impact on our results of operations, financial position or cash flows.

##### ***Legacy U.S. Government Matters***

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 2018. 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 contract. The closeout process includes resolving objections raised by the U.S. government through a billing dispute process referred to as Form 1s and MFRs. 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 ASBCA or the 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 primarily related to (1) our use of private security and our provision of containerized housing under the LogCAP III contract discussed above and (2) our provision of emergency construction services primarily to U.S. government facilities damaged by Hurricanes Katrina and Wilma, under our CONCAP III contract with the U.S. Navy. As a consequence of the issuance of the Form 1s, the U.S. government has withheld payment to us on outstanding invoices, pending resolution of these matters. In certain cases, we have also withheld payment to our subcontractors related to pay-when-paid contractual terms.

The U.S. government issued Form 1s, questioning \$173 million of billed costs as of March 31, 2017 and December 31, 2016. They had previously paid us \$90 million as of each period related to our services on these contracts and the remaining balance of \$83 million for each period is included in "claims and accounts receivable" on our condensed consolidated balance sheets. In addition, we have withheld \$26 million from our subcontractors at March 31, 2017 and December 31, 2016, related to these questioned costs.

While we continue to believe that the amounts we have invoiced the U.S. government are in compliance with our contract terms and that recovery is probable, we also continue to evaluate our ability to recover these amounts as new information becomes known. As is common in the industry, negotiating and resolving these matters is often an involved and lengthy process, which sometimes necessitates the filing of claims or other legal action as discussed above. Concurrent with our continued negotiations with the U.S. government, we await the rulings on the filed claims. We are unable to predict when the rulings will be issued or when the matters will be settled or resolved with the U.S. government.

As a result of the Form 1s, and claims discussed above as well as open audits, we have accrued a reserve for unallowable costs at March 31, 2017 and December 31, 2016 of \$64 million 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 FCA, which prohibits in general terms fraudulent billings to the government. Suits brought by private individuals are called "qui tams." We believe the costs of litigation and any damages that may be awarded in the FKTC and Burn Pit matters described below are billable under the LogCAP III contract and that any such costs or damages awarded in the Sodium Dichromate matter are billable under the RIO contract and a related indemnity agreement with the U.S. government. All costs billed under LogCAP III or RIO are subject to audit by the DCAA for reasonableness.

***First Kuwaiti Trading Company arbitration.*** In April 2008, 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. After complete hearings on all claims, the arbitration panel awarded FKTC \$17 million plus interest 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 the 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 DOJ False Claims Act complaint - FKTC Containers below). 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.

***Burn Pit litigation.*** From November 2008 through current, KBR has been 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. These suits have been consolidated and are pending in U.S. Federal District Court in Baltimore, Maryland, where the jurisdictional issues are now under advisement. The plaintiffs are claiming unspecified damages. 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, 2017, no amounts have been accrued.

**Sodium Dichromate litigation.** From December 2008 through September 2009, five cases were filed in various Federal District Courts against KBR by national guardsmen and other military personnel alleging exposure to sodium dichromate at the Qarmat Ali Water Treatment Plant in Iraq in 2003, which were consolidated into the case pending in the U.S. District Court for 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. In March 2017, the Fifth Circuit Court of Appeals upheld the trial court's dismissal of plaintiffs' claims on summary judgment. The plaintiffs may appeal this ruling. The plaintiffs are claiming unspecified damages. At this time, we believe the likelihood that we would incur a loss related to this matter is remote. As of March 31, 2017, no amounts have been accrued.

**Qui tams.** We have several qui tam cases pending, one of which has been joined by the U.S. government (see DOJ False Claims Act complaint - Iraq Subcontractor below). At this time, 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, 2017, 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, 2017, we have incurred and expensed \$10 million in legal costs to date in defending ourselves in qui tams. 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, alleging violations of the FCA by KBR and its 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. On March 14, 2017 the Court granted KBR's motion for summary judgment and dismissed the case. The plaintiff has filed a notice of appeal.

**Howard qui tam.** In March 2011, Geoffrey Howard filed a complaint in the U.S. District Court for the Central District of Illinois alleging that KBR mischarged the government \$628 million for unnecessary materials and equipment. In October 2014 the DOJ declined to intervene and the case was partially unsealed. The case is starting discovery.

**DOJ False Claims Act complaint - FKTC Containers.** In November 2012, the DOJ filed a complaint in the U.S. District Court for the Central District of Illinois 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 submitted false claims to the U.S. government for reimbursement of costs for FKTC's services of, which the U.S. government alleges were inflated, unverified, not subject to an adequate price analysis and had been contractually assumed by FKTC. Our contractual dispute with the Army over this settlement has been ongoing since 2005. In March 2014, KBR's motion to dismiss was denied and in September 2014, the District Court granted FKTC's motion to dismiss for lack of personal jurisdiction. The case is currently in discovery which we expect to be substantially completed in the fourth quarter of 2017. At this time, we believe the likelihood that we would incur a loss related to this matter is remote. As of March 31, 2017, no amounts have been accrued.

**KBR Contract Claim on FKTC containers.** KBR previously filed a claim before the ASBCA to recover the costs paid to FKTC to settle its delay and disruption claims. The DCMA had disallowed the majority of those costs. Those contract claims were stayed in 2013 at the request of the DOJ so that they could pursue the FCA case referenced above. Those claims were reinstated in 2016. This matter is now set for trial in September 2017.

**DOJ False Claims Act complaint - Iraq Subcontractor.** In January 2014, the DOJ filed a complaint in the U.S. District Court for the Central District of Illinois against KBR and two former KBR subcontractors, including FKTC, 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, KBR 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, FKTC filed a motion to dismiss which the U.S. government opposed. Following the submission of our answer in April 2014, the U.S. government was granted a Motion to Strike certain affirmative defenses in March 2015. We do not believe this limits KBR's ability to fully defend all allegations in this matter. As of March 31, 2017, 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 is set to close October 10, 2017 with the trial set to begin March 26, 2018.

## **Note 14 . 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, sought class action status on behalf of our shareholders, alleging violations of Sections 10(b) and 20(a) of the Exchange Act against the Company, our former chief executive officer, our previous two 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. We reached an agreement to settle this case as of January 11, 2017 and accrued the proposed settlement amount as of December 31, 2016 in "other current liabilities" on our consolidated balance sheets, net of insurance proceeds, which did not have a material impact to our financial statements. On April 6, 2017 we received preliminary Court approval for the settlement.

*Butorin v. Blount et al* , is a May 2014 shareholder derivative complaint pending in the U.S. District Court of Delaware and filed 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. KBR has filed a Motion to Dismiss, to which the derivative plaintiff has responded. At this time, we are not yet able to determine the likelihood of loss, if any, arising from this matter.

We have also received requests for information and a subpoena for documents from the SEC regarding the restatement of our 2013 annual financial statements. We have been and intend to continue cooperating with the SEC. We have accrued our estimate of a potential settlement in "other current liabilities" on our consolidated balance sheets which did not have a material impact to our financial statements.

### ***PEMEX and PEP Arbitration***

In 2004, we filed for arbitration with the ICC claiming recovery of damages against PEP, a subsidiary of PEMEX, the Mexican national oil company, related to a 1997 contract between PEP and our subsidiary, Comissa, and PEP subsequently counterclaimed. The project, known as EPC 1, required Comissa to build offshore platforms and treatment and reinjection facilities in Mexico and 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. In 2009, the ICC arbitration panel awarded us a total of approximately \$351 million including legal and administrative recovery fees as well as interest and PEP was awarded approximately \$6 million on counterclaims, plus interest on a portion of that sum. In August 2016, the U.S. Court of Appeal for the Second Circuit affirmed a 2013 District Court ruling confirming the ICC award and PEP filed a Motion for Rehearing in September 2016. PEP posted \$465 million as security for the judgment, pending exhaustion of all appeals.

On April 6, 2017, we entered into a settlement agreement with PEMEX and PEP resolving this dispute. The settlement will be recognized in the second quarter of 2017 and provides for a cash payment to Comissa of \$435 million , payment by PEP of all VAT related to the settlement amount and mutual dismissals and releases of all claims related to the EPC 1 project. This matter is now resolved and all amounts were paid by PEP in April 2017.

### ***Other Matters***

The DOJ, SEC, and the SFO are conducting investigations of Unaoil, a Monaco based company, in relation to international projects involving several global companies, including KBR, whose interactions with Unaoil are a subject of those investigations. KBR is cooperating with the DOJ, SEC, and the SFO in their investigations, which includes the voluntary submission of information and compliance with formal document requests, including a subpoena from the SEC and a Section 2 notice from the SFO.

*Tisnado vs DuPont, et al* , In May 2016, KBR was served with a Fourth Amended Petition in Intervention and was brought into a lawsuit which was originally filed on November 14, 2014, in the 11th Judicial District Court of Harris County, Texas. This suit was brought by the family members of persons who died in an incident at the DuPont plant in LaPorte, Texas. KBR has filed an Answer to the Petition, denying the plaintiffs' claims and asserting affirmative defenses. This case is in its early stages of discovery. At this time, we are not yet able to determine the likelihood of loss, if any, arising from this matter.

## Note 15 . 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, 2016	\$ 745	\$ 2,088	\$ 488	\$ (769)	\$ (1,050)	\$ (12)
Share-based compensation	2	2	—	—	—	—
Dividends declared to shareholders	(12)	—	(12)	—	—	—
Repurchases of common stock	(2)	—	—	(2)	—	—
Issuance of ESPP shares	1	—	—	1	—	—
Distributions to noncontrolling interests	(1)	—	—	—	—	(1)
Net income	38	—	37	—	—	1
Other comprehensive income, net of tax	20	—	—	—	20	—
Balance at March 31, 2017	\$ 791	\$ 2,090	\$ 513	\$ (770)	\$ (1,030)	\$ (12)

<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 decrease 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, net of tax	22	—	—	—	23	(1)
Balance at March 31, 2016	\$ 1,108	\$ 2,076	\$ 626	\$ (769)	\$ (808)	\$ (17)

### *Accumulated other comprehensive loss, net of tax*

<i>Dollars in millions</i>	March 31,	
	2017	2016
Accumulated foreign currency translation adjustments, net of tax of \$3 and \$3	\$ (248)	\$ (252)
Pension and post-retirement benefits, net of tax of \$252 and \$207	(779)	(554)
Fair value of derivatives, net of tax of \$0 and \$0	(3)	(2)
Total accumulated other comprehensive loss	\$ (1,030)	\$ (808)

*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, 2016	\$ (262)	\$ (785)	\$ (3)	\$ (1,050)
Other comprehensive income adjustments before reclassifications	14	—	—	14
Amounts reclassified from accumulated other comprehensive income	—	6	—	6
Balance at March 31, 2017	\$ (248)	\$ (779)	\$ (3)	\$ (1,030)

<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)

*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
	2017	2016	
<b>Accumulated pension liability adjustments</b>			
Amortization of actuarial loss (a)	\$ (8)	\$ (7)	See (a) below
Tax benefit	2	1	Provision for income taxes
Net pension and post-retirement benefits	\$ (6)	\$ (6)	Net of tax

(a) This item is included in the computation of net periodic pension cost. See Note 10 to our condensed consolidated financial statements for further discussion.

**Note 16 . 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.

*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, Inc. 2006 Stock and Incentive Plan.

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

	Three Months Ended March 31, 2017		
	Number of Shares	Average Price per Share	Dollars in Millions
Repurchases under the \$350 million authorized share repurchase program	—	n/a	\$ —
Withheld to cover shares	149,668	\$ 15.14	2
<b>Total</b>	<b>149,668</b>	<b>\$ 15.14</b>	<b>\$ 2</b>

	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	—	n/a	\$ —
Withheld to cover shares	118,036	\$ 13.81	2
<b>Total</b>	<b>118,036</b>	<b>\$ 13.81</b>	<b>\$ 2</b>

#### Note 17 . 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,	
	2017	2016
Basic weighted average common shares outstanding	143	142
Stock options and restricted shares	—	—
<b>Diluted weighted average common shares outstanding</b>	<b>143</b>	<b>142</b>

For purposes of applying the two-class method in computing income per share, there were \$0.2 million and \$0.3 million net earnings allocated to participating securities, or a negligible amount per share, for the three months ended March 31, 2017 and 2016 , respectively. The diluted income per share calculation did not include 2.4 million and 3.3 million antidilutive weighted average shares for the three months ended March 31, 2017 and 2016 , respectively.

#### Note 18 . 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, 2017 , the gross notional value of our foreign currency exchange forwards and option contracts used to hedge balance sheet exposures was \$87 million , all of which had durations of 10 days or less. We also had approximately \$15 million (gross notional value) of cash flow hedges which had durations of approximately 28 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, 2017 and December 31, 2016 , respectively. The fair values of these 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 expense" on our condensed consolidated statements of operations.

<i>Gains (losses) dollars in millions</i>	March 31,	December 31,
	2017	2016
Balance sheet hedges - fair value	\$ 1	\$ (7)
Balance sheet position - remeasurement	(7)	27
Net	\$ (6)	\$ 20

#### **Note 19 . Recent Accounting Pronouncements**

In March 2017, the FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715) - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This ASU requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. This ASU is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is permitted. We do not expect adoption of this ASU to be material to our ongoing financial reporting or on known trends, demands, uncertainties and events in our business.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment. This ASU eliminates Step 2 from the goodwill impairment test. In addition, income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. This ASU is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods. Early adoption is permitted, for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We do not expect adoption of this ASU to be material to our ongoing financial reporting or on known trends, demands, uncertainties and events in our business.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. This ASU addresses eight specific cash flow topics with the objective of reducing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This ASU is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is permitted, including adoption in an interim period. We do not expect adoption of this ASU to be material to our ongoing financial reporting or on known trends, demands, uncertainties and events in our business.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable supportable forecast and is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods. Early adoption is permitted for annual periods after December 15, 2018, including interim periods within those annual periods. 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.

In February 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.



In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, as amended (Topic 606), which will change the way we recognize revenue and significantly expand the disclosure requirements for revenue arrangements. In July 2015, the FASB approved a one-year deferral of the effective date of the standard to 2018 for public companies, with an option that would permit companies to adopt the standard in 2017. Further amendments and technical corrections were made to the standard during 2016.

The core principle of the new standard is that a company should 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. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application.

We are continuing to evaluate the impact the new standard on our contract portfolio. Our approach includes a detailed review of representative contracts at each of our business segments and comparing historical accounting policies and practices to the new standard. Because the standard will impact our business processes, systems and controls, we are also developing a comprehensive change management plan to guide the implementation. While we are still evaluating the potential impact of adoption on our financial statements, we currently believe the areas that may impact us the most include accounting for variable consideration and the manner in which we determine the unit of account for our projects. These concepts, as well as other aspects of the guidance, may change the method and/or timing of revenue recognition. We will adopt the requirements of the new standard effective January 1, 2018 and intend to apply the modified retrospective method of adoption with the cumulative effect of adoption recognized at the date of initial application.

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

### Introduction

The purpose of 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, accompanying notes, and our 2016 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*

- Government Services
- Technology & Consulting
- Engineering & Construction

#### *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 CODM. See additional information on our business segments in Note 2 to our condensed consolidated financial statements.

### ***Business Environment and Trends***

Our portfolio includes highly specialized mission and logistics support solutions, engineering services, process technologies, energy project technical consulting, program management, construction, asset life-cycle solutions and other related services. We provide these services to various domestic and international governmental agencies and a wide range of customers across the hydrocarbons value chain.

We expect continued opportunities within our global government services business as we drive higher value and lower cost solutions to support governments' increasing training, operation, maintenance and sustainment requirements. The acquisitions of Wyle and HTSI, which we converted to KTS, in the third quarter of 2016, moves KBR's GS business into the domestic high value engineering services industry for such clients as NASA and U.S. government military agencies. As a result of these acquisitions, we expect a significant increase in total revenues from contracts with the U.S. government in 2017 as compared to 2016. Additionally, military conflicts and international tensions are also likely to contribute to increased demand for our international military support services from both the U.S. and foreign governmental defense agencies.

Trends in the U.S. government services industry and our markets, including a shift towards multiple-awards contracts and awarding contracts on a low price/technically acceptable basis, have increased competition for U.S. government contracts, reduced periods of performance on contracts, and increased pricing pressure. We expect that a majority of the U.S. government business that we seek in the foreseeable future will be awarded through a competitive bidding process. Additionally, our business may be affected by changes in the overall level of U.S. government spending and the alignment of our service and product offerings and capabilities with current and future budget priorities of the U.S. government.

In the hydrocarbons sector, demand for our services depends on the level of capital and operating expenditures of our customers, which is often considered alongside prevailing market conditions and the availability of resources to support and fund projects. Significant volatility in commodity prices in recent years has resulted in many of our oil and gas customers taking steps to defer, suspend or terminate capital expenditures which has resulted in delayed or reduced volumes of business for us. Upstream oil projects have experienced the largest reductions in capital expenditures, as the effect of volatile oil prices has been more pronounced in this sector. We continue to see some opportunities in certain markets, including midstream gas projects such as LNG to satisfy future demand, particularly at locations where major supporting infrastructure already exists (i.e. near existing gas pipelines and electric power grids, port facilities, etc.) Additionally, downstream projects such as chemicals and fertilizers, which generally benefit from low feedstock prices and are less impacted by depressed oil prices, should be positively impacted. We seek to collaborate with our customers in developing these prospects by using integrated teams, from project conceptualization and technical solutions selection through project award and implementation.

Overall, we believe KBR has a balanced portfolio of recurring government services partnering opportunities as well as upstream, midstream and downstream solutions.

### ***Three months ended March 31, 2017 compared to the three months ended March 31, 2016***

#### ***Overview of Financial Results***

For the quarter ended March 31, 2017, we generated revenues of \$1.1 billion and net income attributable to KBR of \$37 million compared to revenues of \$996 million and net income attributable to KBR of \$42 million for the quarter ended March 31, 2016. Highlights in the quarter ended March 31, 2017 include the substantial completion of an EPC services 650-megawatt combined cycle power project in our Non-strategic Business segment. The completion of this final domestic EPC power project achieves another milestone in our strategy, consistent with our intention to exit this non-strategic business. Subsequent to March 31, 2017, we achieved resolution and settlement of the EPC 1 arbitration dispute between our KBR subsidiary and PEP, a subsidiary of PEMEX. Under the terms of the settlement, KBR has received \$435 million and dismissal of all pending litigations.

Our GS business segment generated revenues of \$515 million and gross profits plus equity in earnings of \$46 million in the quarter ended March 31, 2017 compared to revenues of \$210 million and gross profits plus equity in earnings of \$32 million in the quarter ended March 31, 2016. The improvements were driven by earnings from the newly acquired Wyle and KTS businesses and growth on LogCAP IV and other international operating base contracts in support of the U.S. military. These recent acquisitions will position us in the domestic technology-focused engineering services industry. We expect continued growth in opportunities within this segment of our business.

Our E&C business segment generated revenues of \$489 million and gross profit plus equity in earnings of \$33 million in the quarter ended March 31, 2017 compared to revenues of \$606 million and gross profits plus equity in earnings of \$47 million in the quarter ended March 31, 2016. Gross profits plus equity in earnings were unfavorably impacted by the increase in estimates of costs to complete and recognition of unapproved change orders and claims on the Ichthys JV which reduced the percentage of completion at March 31, 2017 and delays profits to future periods. See Note 6 to our condensed consolidated financial statements for further discussion. While the global hydrocarbons market has experienced large reductions in capital expenditures related to upstream oil projects, this segment continues to focus on an expanding global industrial services market and opportunities in certain markets, including midstream gas projects at locations supporting existing infrastructure.

Our T&C business segment generated revenues of \$76 million and gross profits of \$14 million for the quarter ended March 31, 2017 compared to revenues of \$97 million and gross profits of \$17 million in the quarter ended March 31, 2016. Decreases in proprietary equipment sales in the quarter resulted in lower revenues. However, margins were favorably impacted by technology license milestones achieved in the period. The markets for this segment are steadily growing as we see a mix of brownfield and greenfield opportunities materializing across the portfolio.

Our Non-strategic Business segment which was created as part of our restructuring initiative is composed of one remaining EPC power project and close-out activities on a completed U.S. infrastructure project. The EPC power project reached substantial completion during the quarter within the current estimate. During the quarter ended March 31, 2017, this segment generated revenues of \$26 million and gross losses of \$2 million compared to revenues of \$83 million and gross profit of \$1 million in the quarter ended March 31, 2016.

The information below is an analysis of our consolidated results for the three months ended March 31, 2017 compared to 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.

<i>Revenues</i>	<b>Three Months Ended March 31,</b>			
			<b>2017 vs. 2016</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
<i>Dollars in millions</i>				
Revenues	\$ 1,106	\$ 996	\$ 110	11%

The increase in consolidated revenues was primarily driven by revenues generated by the Wyle and KTS acquisitions as well as the expansion of existing contracts within our GS business segment. This increase was partially offset by the completion or substantial completion of several projects at the end of 2016, which resulted in combined lower revenues of approximately \$191 million within our T&C, E&C and Non-strategic Business segments and the non-recurrence in 2017 of certain favorable changes in estimates within our GS and E&C business segments that occurred in the first quarter of 2016.

<i>Gross Profit</i>	<b>Three Months Ended March 31,</b>			
			<b>2017 vs. 2016</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
<i>Dollars in millions</i>				
Gross profit	\$ 82	\$ 68	\$ 14	21%

The increase in consolidated gross profit was primarily due to the recent acquisitions and expansions on existing U.S. government contracts discussed above as well as the non-recurrence of unfavorable changes in estimates on an EPC ammonia project in our E&C business segment recognized in the first quarter of 2016. This increase was offset by the completion or substantial completion of projects also discussed above.

<i>Equity in Earnings of Unconsolidated Affiliates</i>	<b>Three Months Ended March 31,</b>			
			<b>2017 vs. 2016</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
<i>Dollars in millions</i>				
Equity in earnings of unconsolidated affiliates	\$ 9	\$ 29	\$ (20)	(69)%

The decrease in equity in earnings of unconsolidated affiliates was primarily due to lower progress, recognition of unapproved change orders and claims and increased reimbursable and fixed-price cost estimates at completion on the Ichthys JV within our E&C business segment that reduced the percentage of completion at March 31, 2017 and delays profits to future periods (see Note 6 to our condensed consolidated financial statements for further discussion). Lower than expected maintenance activities on a joint venture in the U.K. within our GS business segment also contributed to this decrease. This decrease was partially offset by improved performance on our Brown & Root Industrial Services joint venture within our E&C business segment.

<i>General and Administrative Expenses</i>	<b>Three Months Ended March 31,</b>			
			<b>2017 vs. 2016</b>	
	<b>2017</b>	<b>2016</b>	<b>\$</b>	<b>%</b>
<i>Dollars in millions</i>				
General and administrative expenses	\$ (32)	\$ (34)	\$ (2)	(6)%

General and administrative expenses remained relatively flat. General and administrative expenses in the three months ended March 31, 2017 and 2016 included \$20 million and \$22 million, respectively, related to corporate activities and \$12 million for each period presented related to the business segments.

**Other Non-operating Expense**

<i>Dollars in millions</i>	<b>Three Months Ended March 31,</b>			
	<b>2017</b>	<b>2016</b>	<b>2017 vs. 2016</b>	
			<b>\$</b>	<b>%</b>
Other non-operating expense	\$ (12)	\$ (5)	\$ (7)	(140)%

Other non-operating expense includes interest income, interest expense, foreign exchange gains and losses and other non-operating income or expense items. The increase in non-operating expense was due to higher interest expense of \$5 million for the three months ended March 31, 2017, primarily related to the outstanding borrowings under our Credit Agreement.

**Provision for Income Taxes**

<i>Dollars in millions</i>	<b>Three Months Ended March 31,</b>			
	<b>2017</b>	<b>2016</b>	<b>2017 vs. 2016</b>	
			<b>\$</b>	<b>%</b>
Income before provision for income taxes	\$ 51	\$ 60	\$ (9)	(15)%
Provision for income taxes	\$ (13)	\$ (15)	\$ (2)	(13)%

Our provision for income taxes for the three months ended March 31, 2017 and 2016 reflects a 25% tax rate. The 2017 period provision for income taxes is lower than the 2016 period primarily due to lower income before provision for income taxes.

**Net Income Attributable to Noncontrolling Interests**

<i>Dollars in millions</i>	<b>Three Months Ended March 31,</b>			
	<b>2017</b>	<b>2016</b>	<b>2017 vs. 2016</b>	
			<b>\$</b>	<b>%</b>
Net income attributable to noncontrolling interests	\$ (1)	\$ (3)	\$ (2)	(67)%

The decrease in net income attributable to noncontrolling interests was 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>	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Government Services	\$ 515	\$ 210
Technology & Consulting	76	97
Engineering & Construction	489	606
Other	—	—
<b>Subtotal</b>	<b>1,080</b>	<b>913</b>
Non-strategic Business	26	83
<b>Total</b>	<b>\$ 1,106</b>	<b>\$ 996</b>
<b>Gross profit (loss)</b>		
Government Services	\$ 37	\$ 21
Technology & Consulting	14	17
Engineering & Construction	33	29
Other	—	—
<b>Subtotal</b>	<b>84</b>	<b>67</b>
Non-strategic Business	(2)	1
<b>Total</b>	<b>\$ 82</b>	<b>\$ 68</b>
<b>Equity in earnings of unconsolidated affiliates</b>		
Government Services	\$ 9	\$ 11
Technology & Consulting	—	—
Engineering & Construction	—	18
Other	—	—
<b>Subtotal</b>	<b>9</b>	<b>29</b>
Non-strategic Business	—	—
<b>Total</b>	<b>\$ 9</b>	<b>\$ 29</b>
<b>Total general and administrative expenses</b>	<b>\$ (32)</b>	<b>\$ (34)</b>
<b>Asset impairment and restructuring charges</b>	<b>\$ —</b>	<b>\$ (2)</b>
<b>Gain on disposition of assets</b>	<b>\$ 4</b>	<b>\$ 4</b>
<b>Total operating income</b>	<b>\$ 63</b>	<b>\$ 65</b>

### ***Government Services***

GS revenues increased by \$305 million , or 145% , to \$515 million in the three months ended March 31, 2017 compared to \$210 million in the three months ended March 31, 2016 . This increase was driven primarily by \$299 million of revenues related to the acquisitions of Wyle and KTS in the third quarter of 2016 and an increase in revenue of \$58 million associated with continued expansion under existing U.S. government contracts. This increase was offset by reduced revenue due to the approval of a change order on a road construction project in the Middle East in 2016 that did not recur.

GS gross profit increased by \$16 million , or 76% , to \$37 million in the three months ended March 31, 2017 compared to \$21 million in the three months ended March 31, 2016 . This increase was primarily due to the acquisitions of Wyle and KTS and continued expansion under existing U.S. government contracts, but was offset by the approval of the change order discussed above.

GS equity in earnings of unconsolidated affiliates decreased by \$2 million , or 18% , to \$9 million in the three months ended March 31, 2017 compared to \$11 million in the three months ended March 31, 2016 . This decrease was primarily due to lower activity on a joint venture project in the U.K.

### ***Technology & Consulting***

T&C revenues decreased by \$21 million , or 22% , to \$76 million in the three months ended March 31, 2017 compared to \$97 million in the three months ended March 31, 2016 primarily due to the completion or substantial completion of multiple projects during 2016.

T&C gross profit decreased by \$3 million , or 18% , to \$14 million in the three months ended March 31, 2017 compared to \$17 million in the three months ended March 31, 2016 , primarily due to the completion or substantial completion of projects during 2016 offset by reduced overheads as a result of our previously announced restructuring plan.

### ***Engineering & Construction***

E&C revenues decreased by \$117 million , or 19% , to \$489 million in the three months ended March 31, 2017 compared to \$606 million in the three months ended March 31, 2016 . This decrease was primarily due to reduced activity and the completion or near completion of several projects in Australia, U.S. and Europe as well as a favorable change in estimate as a result of reaching a settlement on close out of an LNG project in Africa in 2016 that did not recur. These decreases were partially offset by increased activity on a construction project in the U.S. that began ramping up in the first quarter of 2016.

E&C gross profit increased by \$4 million , or 14% , to \$33 million in the three months ended March 31, 2017 compared to \$29 million in the three months ended March 31, 2016 . This increase was primarily due to the non-recurrence of unfavorable changes in estimates on an EPC ammonia project in our E&C business segment recognized in the first quarter of 2016, as well as reduced overhead costs. This increase was offset by the completion or near completion of projects discussed above.

E&C equity in earnings of unconsolidated affiliates decreased by \$18 million , or 100% , in the three months ended March 31, 2017 compared to income of \$18 million in the three months ended March 31, 2016 . This decrease was due to lower progress, recognition of unapproved change orders and claims and increased reimbursable cost estimates on the Ichthys JV that reduced the percentage of completion at March 31, 2017 and delays profits to future periods partially offset by improved performance on our Brown & Root Industrial Services joint venture.

### ***Non-strategic Business***

Non-strategic Business revenues decreased by \$57 million , or 69% , to \$26 million in the three months ended March 31, 2017 compared to \$83 million in the three months ended March 31, 2016 . This decrease was due to completion or near completion of power projects as we exit that business.

Non-strategic Business gross profit decreased by \$3 million , to a loss of \$2 million in the three months ended March 31, 2017 compared to a profit of \$1 million in the three months ended March 31, 2016 . This decrease was primarily due to completion of the projects discussed above as well as increased costs as we complete close-out activities on a U.S. infrastructure project.

### ***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 agreement. In many instances, arrangements included in backlog are complex, nonrepetitive and may fluctuate due to the release of contracted work in phases by the customer. Additionally, nearly all contracts allow customers to terminate the agreement at any time for convenience. Where contract duration is indefinite and clients can terminate for convenience 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 on each project in backlog.

Within our GS business segment, we calculate estimated backlog for long-term contracts associated with the U.K. government's PFIs based on the aggregate amount that our client would contractually be obligated to pay us over the life of the project. We update our estimates of the future work to be executed under these contracts on a quarterly basis and adjust backlog if necessary.

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 \$7.4 billion at March 31, 2017 and \$7.4 billion at December 31, 2016. We consolidate joint ventures which are majority-owned and controlled or are 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 \$147 million at March 31, 2017 and \$151 million at December 31, 2016.

The following table summarizes our backlog by business segment:

<i>Dollars in millions</i>	December 31,				March 31,
	2016	New Awards	Other (a)	Net Workoff (b)	2017
Government Services	\$ 7,821	\$ 67	\$ 347	\$ (524)	\$ 7,711
Technology & Consulting	313	91	5	(76)	333
Engineering & Construction	2,769	54	203	(489)	2,537
Subtotal	10,903	212	555	(1,089)	10,581
Non-strategic Business	35	—	5	(26)	14
Total backlog	\$ 10,938	\$ 212	\$ 560	\$ (1,115)	\$ 10,595

(a) Other includes adjustments for (i) effects of changes in foreign exchange rates, primarily related to movements in British pound of \$95 million, (ii) changes in scope on existing projects of \$256 million and (iii) elimination of our proportionate share of revenue workoff from our unconsolidated joint ventures of \$209 million less equity in earnings.

(b) These amounts represent the revenue workoff on our projects plus equity earnings from our unconsolidated joint venture projects.

We estimate that as of March 31, 2017, 36% of our backlog will be executed within one year. Of this amount, 59% will be recognized in revenues on our condensed consolidated statement of operations and 41% will be recorded by our unconsolidated joint ventures. As of March 31, 2017, \$176 million of our backlog relates to active contracts that are in a loss position.

As of March 31, 2017, 13% of our backlog was attributable to fixed-price contracts, 57% was attributable to PFIs and 30% 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. As of March 31, 2017, \$7.1 billion of our GS backlog was currently funded by our customers.



## 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 9 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information. The information discussed therein is incorporated by reference into this Part I, Item 2.

## Legal Proceedings

Information relating to various commitments and contingencies is described in Notes 13 and 14 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the information discussed therein is incorporated by reference into this Part I, Item 2.

## Liquidity and Capital Resources

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 \$1 billion 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.

Cash generated from operations and our Credit Agreement are our primary sources of liquidity. Our operating cash flow can vary significantly from year to year and is affected by the mix, terms, timing and percentage of completion of our engineering and construction projects. We sometimes receive cash in the early phases of our larger engineering and construction fixed-price projects and those of our consolidated joint ventures in advance of incurring related costs. On reimbursable contracts, we may utilize cash on hand or availability under our Credit Agreement to satisfy any periodic operating cash requirements for working capital, as we frequently incur costs and subsequently invoice our customers. We believe that existing cash balances, internally generated cash flows and our Credit Agreement availability are sufficient to support our day-to-day domestic and foreign business operations for at least the next 12 months.

Cash and equivalents totaled \$410 million at March 31, 2017 and \$536 million at December 31, 2016 and consisted of the following:

<i>Dollars in millions</i>	March 31, 2017	December 31, 2016
Domestic U.S. cash	\$ 224	\$ 249
International cash	128	231
Joint venture cash	58	56
Total	\$ 410	\$ 536

Our cash balances are held in numerous accounts throughout the world to fund our global activities. Domestic cash relates to cash balances held by U.S. entities and is largely used to support project activities of those businesses as well as general corporate needs such as the payment of dividends to shareholders, repayment of debt 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, including the maintenance of 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. We have provided cumulative income taxes on certain foreign earnings which provide us, if necessary, the ability to repatriate an additional \$300 million of international cash without recognizing additional tax expense. As of March 31, 2017, we have repatriated approximately \$162 million of this international cash. Our undistributed earnings above the amount for which we have already provided income taxes continue to be considered permanently reinvested.

Joint venture cash balances reflect the amounts held by joint venture entities that we consolidate for financial reporting purposes. These amounts are limited to joint venture activities and are not readily available for general corporate purposes; however, portions of such amounts may become available to us in the future should there be a 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.

As of March 31, 2017, 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

### Cash flows activities summary

<u>Dollars in millions</u>	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Cash flows used in operating activities	\$ (115)	\$ (21)
Cash flows used in investing activities	(1)	(25)
Cash flows used in financing activities	(15)	(18)
Effect of exchange rate changes on cash	5	5
Decrease in cash and equivalents	\$ (126)	\$ (59)

Operating activities - Cash flows from operating activities result primarily from earnings and are affected by changes in operating assets and liabilities which consist primarily of working capital balances for projects. Working capital levels vary from year to year and are primarily affected by the company's volume of work. These levels are also impacted by the mix, stage of completion and commercial terms of engineering and construction projects. Working capital requirements also vary by project depending on the type of client and location throughout the world. Most contracts require payments as the projects progress. Additionally, certain projects receive advance payments from clients. A normal trend for these projects is to have higher cash balances during the initial phases of execution which then decline to equal project earnings at the end of the construction phase. As a result, our cash position is reduced as customer advances are worked off, unless they are replaced by advances on other projects.

The primary components of our working capital accounts are accounts receivable, which includes retainage and trade receivables, CIE, accounts payable and BIE. These components are impacted by the size and changes in the mix of our cost reimbursable versus fixed price projects, and as a result, fluctuations in these components are not uncommon in our business.

Cash used in operations totaled \$115 million in the first three months in 2017, primarily resulting from unfavorable net changes of \$157 million in working capital balances for projects as discussed below:

- Accounts receivable is impacted by the timing and collections on billings to our customers. The decrease in accounts receivable in the first three months in 2017 primarily reflected collections from customers within our E&C business segment associated with the completion of an ammonia project in the U.S. This decrease was partially offset by the timing of collections from customers within our GS business segment.
- CIE was impacted by the timing of billings to our customers and is generally related to our cost reimbursable projects where we bill as we incur project costs. CIE decreased in the first three months in 2017 in our T&C and E&C business segments primarily due to the Ichthys LNG project offset by the timing of billings within our GS business segment.

- Accounts payable is impacted by the timing of receipts of invoices from our vendors and subcontractors and payments on these invoices. The decrease in accounts payable in the first three months in 2017 was primarily due to the power project within our Non-strategic Business segment as the project nears completion as well as the timing of invoicing and payments within the normal course of business.
- BIE is associated with our fixed price projects, which we generally structure to be cash positive, and is impacted by the timing of achievement of billing of milestones and payments received from our customers in advance of incurring project costs. The \$ 124 million decrease in BIE is primarily due to the funding of two EPC ammonia projects in the U.S. within our E&C business segment as well as a power project within our Non-strategic Business segment as they near completion.
- In addition, we received distributions of earnings from our unconsolidated affiliates of \$14 million and contributed \$9 million to our pension funds in the first three months in 2017 .

Cash used in operations totaled \$21 million in the first three months in 2016 . Cash generated from earnings and net changes in working capital balances for projects remained relatively flat in 2016 . The cash generated by earnings was partially offset by other items as specified below:

- Accounts receivable decreased primarily due to the timing of customer billings related to projects within our E&C business segment including an EPC LNG project in Australia, a downstream EPC project in the U.S. as well as increased collections from customers on various other projects.
- BIE decreased in the first three months in 2016 , reflecting the timing of invoicing and payments within the normal course of business within our GS, E&C and Non-strategic Business segments.
- We received distributions of earnings from our unconsolidated affiliates of \$20 million and contributed approximately \$10 million to our pension funds in the first three months in 2016 .

Investing activities . Cash used in investing activities totaled \$1 million in the first three months in 2017 and was primarily used in the purchase of equipment.

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.

Financing activities . Cash used in financing activities totaled \$15 million in the first three months in 2017 and included \$12 million for dividend payments to common shareholders.

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 and \$6 million for distributions to noncontrolling interests.

*Future sources of cash.* We believe that future sources of cash include cash flows from operations, cash derived from working capital management, cash borrowings under our Credit Agreement and other permanent financing activities.

*Future uses of cash.* We believe that future uses of cash include working capital requirements, funding of recognized project losses, capital expenditures, dividends, repayments of borrowings under our Credit Agreement, share repurchases and strategic investments including acquisitions. 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.

#### ***PEMEX litigation and anticipated use of proceeds***

As discussed in Note 14 to our condensed consolidated financial statements, we settled the PEMEX and PEP arbitration matter on April 6, 2017. Subsequently, we received \$435 million from PEP, of which \$150 million was used to repay a portion of the borrowings under our Credit Agreement in April 2017. We intend to use approximately \$100 million in the second quarter of 2017 to pay related Mexican income taxes. The remaining \$185 million will primarily be used for operating activities such as working capital requirements and funding of previously recognized project losses.

### ***Other factors potentially affecting liquidity***

Cash from operations can be significantly impacted by our primary working capital accounts as previously described. We expect unfavorable working capital impacts in 2017 related to project losses in our E&C & Non-strategic Business segments.

### ***Credit Agreement***

Information relating to our Credit Agreement is described in Note 11 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the information discussed therein is incorporated by reference into this Part I, Item 2. We intend to seek long-term financing to replace a portion of the outstanding borrowings under our Credit Agreement during 2017.

### ***Nonrecourse Project Finance Debt***

Information relating to our nonrecourse project debt is described in Note 11 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the information discussed therein is incorporated by reference into this Part I, 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 billion in committed and uncommitted lines of credit to support the issuance of letters of credit and as of March 31, 2017, we have utilized \$385 million of our present capacity under lines of credit. Surety bonds are also posted under the terms of certain contracts to guarantee our performance. As of March 31, 2017, we have approximately \$1 billion of remaining capacity in these committed and uncommitted lines of credit after taking into account the \$650 million of outstanding revolver borrowings as described in Note 11 to our condensed consolidated financial statements. The letters of credit outstanding included \$39 million issued under our Credit Agreement and \$346 million issued under uncommitted bank lines as of March 31, 2017. 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, \$168 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 18 to our condensed consolidated financial statements and the information discussed therein is incorporated by reference into this Item 3.

We are exposed to market risk for changes in interest rates for borrowings under our Credit Agreement, of which there were \$650 million as of March 31, 2017. Borrowings under our Credit Agreement bear interest at variable rates. Our weighted average interest rate for the three months ended March 31, 2017 was 2.5%. We had no derivative financial instruments to manage interest rate risk related to outstanding borrowings. If interest rates were to increase by 50 basis points, pre-tax interest expense would increase by approximately \$3 million in the next 12 months.

#### **Item 4. Controls and Procedures**

In accordance with Exchange Act Rules 13a-15 and 15d-15, 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, 2017 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 SEC 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, 2017, 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 13 and 14 to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, 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, 2016. 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, 2016. 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 40% of our total consolidated revenues for the three months ended March 31, 2017. 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, 2017.

Purchase Period	Total Number of Shares Purchased <sup>(1)</sup>	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 – 31, 2017	3,779	\$ 17.00	—	\$ 208,030,228
February 1 – 28, 2017	21,671	\$ 15.62	—	\$ 208,030,228
March 1 – 31, 2017	124,218	\$ 15.00	—	\$ 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 as of March 31, 2017 was 149,668 shares at an average price of \$15.14 per share.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
<a href="#">3.1</a>	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)
<a href="#">3.2</a>	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)
<a href="#">*10.1+</a>	Form of revised Restricted Stock Unit Agreement (US Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<a href="#">*10.2+</a>	Form of revised Restricted Stock Unit Agreement (International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<a href="#">*10.3+</a>	Form of revised Performance Stock Unit Agreement (US Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<a href="#">*10.4+</a>	Form of revised Performance Stock Unit Agreement (International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<a href="#">*10.5+</a>	Form of revised Performance Award Agreement (US/International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<a href="#">*31.1</a>	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">*31.2</a>	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">**32.1</a>	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<a href="#">**32.2</a>	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
***101.Def	Definition Linkbase Document
***101.Pre	Presentation Linkbase Document
***101.Lab	Labels Linkbase Document
***101.Cal	Calculation Linkbase Document
***101.Sch	Schema Linkbase Document
***101.Ins	Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
+	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/ Mark Sopp

**Mark Sopp**  
**Executive Vice President and Chief Financial Officer**

/s/ Nelson E. Rowe

**Nelson E. Rowe**  
**Senior Vice President and Chief Accounting Officer**

Dated: April 28, 2017



**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) death or (ii) 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:

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

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) or (ii) the date Employee's employment with the Company is terminated by reason of death or disability (as determined above). In the event Employee's employment is terminated for any other reason, including retirement with the approval of (A) the Committee if Employee is a "senior executive of the Company" (as defined below) or (B) the Company's Chief Executive Officer (the "CEO") if Employee is not a senior executive of the Company, the Committee (or its delegate, as appropriate) or, in the event of retirement of an Employee who is not a senior executive of the Company, the CEO, as applicable, may, in the Committee's (or such delegate's) or the CEO's, as applicable, 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. "Senior executive" for purposes of this Agreement shall mean (i) the CEO and (ii) any regular, full-time employee of the Company or an affiliate who (A) is an officer of the Company required to file reports with the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934, (B) is an officer of the Company who reports directly to the CEO, (C) is the Chief Accounting Officer of the Company, or (D) is the highest ranking management position (with at least a title of Director or above) with direct oversight over internal audits of the Company.

(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, 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) death or (ii) 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.

(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:

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

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) or (ii) the date Employee’s employment with the Company is terminated by reason of death or disability (as determined above). In the event Employee’s employment is terminated for any other reason, including retirement with the approval of (A) the Committee if Employee is a “senior executive of the Company” (as defined below) or (B) the Company’s Chief Executive Officer (the “CEO”) if Employee is not a senior executive of the Company, the Committee (or its delegate, as appropriate) or, in the event of retirement of an Employee who is not a senior executive of the Company, the CEO, as applicable, may, in the Committee’s (or such delegate’s) or the CEO’s, as applicable, 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. “Senior executive” for purposes of this Agreement shall mean (i) the CEO and (ii) any regular, full-time employee of the Company or an affiliate who (A) is an officer of the Company required to file reports with the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934, (B) is an officer of the Company who reports directly to the CEO, (C) is the Chief Accounting Officer of the Company, or (D) is the highest ranking management position (with at least a title of Director or above) with direct oversight over internal audits of the Company.

(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, 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.

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 in 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) death or (ii) 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, 2017, if the Committee that administers the Plan (the “Committee”) determines, in its sole discretion, that calendar year 2017 was not a successful year for the Company. Any such determination by the Committee shall be made on or before the first anniversary of the Grant Date.

(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 two sentences of subparagraph (a) of this Paragraph 2:

<b>Vesting Date</b>	<b>Vested Percentage of Total Number of Performance Stock Units</b>
<b>1st Anniversary of Grant Date</b>	<b>33 <math>\frac{1}{3}</math>%</b>
<b>2nd Anniversary of Grant Date</b>	<b>66 <math>\frac{2}{3}</math>%</b>
<b>3rd Anniversary of Grant Date</b>	<b>100%</b>

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) or (ii) the date Employee's employment with the Company is terminated by reason of death or disability (as determined above); provided, however, that if the Performance Stock Units have been forfeited pursuant to the last two sentences of subparagraph (a) of this Paragraph 2 prior to the date of the occurrence of an event described in clause (i) or (ii) 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 with the approval of (A) the Committee if Employee is a "senior executive of the Company" (as defined below) or (B) the Company's Chief Executive Officer (the "CEO) if Employee is not a senior executive of the Company, the Committee (or its delegate, as appropriate) or, in the event of retirement of an Employee who is not a senior executive of the Company, the CEO, as applicable, may, in the Committee's (or such delegate's) or the CEO's, as applicable, 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. "Senior executive" for purposes of this Agreement shall mean (i) the CEO and (ii) any regular, full-time employee of the Company or an affiliate who (A) is an officer of the Company required to file reports with the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934, (B) is an officer of the Company who reports directly to the CEO, (C) is the Chief Accounting Officer of the Company, or (D) is the highest ranking management position (with at least a title of Director or above) with direct oversight over internal audits of the Company.

(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 performance objective described in the last two sentences of subparagraph (a) of this Paragraph 2 (in which case, any such accrued dividends or distributions with respect to such shares shall be paid within 30 days after the date such performance objective has been satisfied). If such shares do not satisfy such performance objective 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, 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) death or (ii) 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. 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, 2017, if the Committee that administers the Plan (the “Committee”) determines, in its sole discretion, that calendar year 2017 was not a successful year for the Company. Any such determination by the Committee shall be made on or before the first anniversary of the Grant Date.

(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 two sentences of subparagraph (a) of this Paragraph 2:

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

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) or (ii) the date Employee’s employment with the Company is terminated by reason of death or disability (as determined above); provided, however, that if the Performance Stock Units have been forfeited pursuant to the last two sentences of subparagraph (a) of this Paragraph 2 prior to the date of the occurrence of an event described in clause (i) or (ii) 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 with the approval of (A) the Committee if Employee is a “senior executive of the Company” (as defined below) or (B) the Company’s Chief Executive Officer (the “CEO”) if Employee is not a senior executive of the Company, the Committee (or its delegate, as appropriate) or, in the event of retirement of an Employee who is not a senior executive of the Company, the CEO, as applicable, may, in the Committee’s (or such delegate’s) or the CEO’s, as applicable, 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. “Senior executive” for purposes of this Agreement shall mean (i) the CEO and (ii) any regular, full-time employee of the Company or an affiliate who (A) is an officer of the Company required to file reports with the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934, (B) is an officer of the Company who reports directly to the CEO, (C) is the Chief Accounting Officer of the Company, or (D) is the highest ranking management position (with at least a title of Director or above) with direct oversight over internal audits of the Company.

(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, 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.

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:

—

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 in 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, subject to Paragraph 3 below, 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, 2017, if the Committee that administers the Plan (the "Committee") determines, in its sole discretion, that calendar year 2017 was not a successful year for the Company. Any such determination by the Committee shall be made on or before March 31, 2018.

- (b) **Death, Disability or Retirement** . Unless otherwise provided in an agreement pursuant to Paragraph 13, if you cease to be an employee of the Company or a Subsidiary as a result of (i) your death, (ii) your permanent disability (disability being defined as being physically or mentally incapable of performing either your usual duties as an employee or any other duties as an employee that the Company reasonably makes available and such condition is likely to remain continuously and permanently, as determined by the Company or employing Subsidiary), or (iii) your retirement with the approval of (A) the Committee if you are a "senior executive of the Company" (as defined below) or (B) Company's Chief Executive Officer (the "CEO") if you are not a senior executive of the Company (with such approval to be granted or withheld in the sole discretion of the Committee or the CEO, 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 two sentences of subparagraph (a) above prior to the occurrence of an event described in clause (i), (ii) or (iii) 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. “Senior executive” for purposes of this Agreement shall mean (i) the CEO and (ii) any regular, full-time employee of the Company or an affiliate who (A) is an officer of the Company required to file reports with the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934, (B) is an officer of the Company who reports directly to the CEO, (C) is the Chief Accounting Officer of the Company, or (D) is the highest ranking management position (with at least a title of Director or above) with direct oversight over internal audits of the Company.

- (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 two sentences 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 15<sup>th</sup> 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; provided, however, that such payment amount may be reduced, but not increased, by any amount (including a reduction resulting in a payment of \$0) in the sole discretion of (a) the Committee if you are a senior executive of the Company or (b) the CEO if you are not a senior executive of the Company (provided, further, that any such discretion to reduce such payment amount may not be exercised by the Committee or the CEO, as applicable, at any time after the occurrence of a Corporate Change). 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, within the three-year period beginning on the date that you receive a payment pursuant to Paragraph 3, the basis upon which the performance measurements were achieved during any calendar year of the Performance Period changes because of any restatement of or revision to the Company’s financial results, shareholder return, or any other performance measure for the same calendar year, regardless of fault, 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 restated or revised financial results, shareholder return or other performance measure, the Committee (or the CEO if you are not a senior executive of the Company) 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 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** . 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 (“Other Agreement”), except that, notwithstanding anything in such Other Agreement to the contrary, any normal retirement age of 65 or other retirement-based vesting, payment or benefit provisions in such Other Agreement shall be of no force or effect for all purposes of the Performance Units granted under this Agreement.
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, 2017, and ending December 31, 2019.

**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:

**2017 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 ( $x_q / x$ )
1/1/2017	\$20.00	
3/31/2017	\$22.00	110.0
6/30/2017	\$24.00	120.0
9/30/2017	\$21.00	105.0
12/31/2017	\$20.00	100.0
3/31/2018	\$18.00	90.0
6/30/2018	\$22.00	110.0
9/30/2018	\$25.00	125.0
12/31/2018	\$28.00	140.0
3/31/2019	\$31.00	110.7
6/30/2019	\$33.00	117.9
9/30/2019	\$30.00	107.1
12/31/2019	\$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.   TechnipFMC  
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**

		<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
<b>Percentile</b>	<b>&lt;20%</b>	<b>20%</b>	<b>50%</b>	<b>≥90%</b>
<b>TSR Payout</b>	<b>0%</b>	<b>25%</b>	<b>100%</b>	<b>200%</b>

<b>LTI TSR Calculation Method</b>			
	<b>Ranking</b>	<b>Percentile *</b>	<b>TSR Payout **</b>
	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 on the Grant Date you are 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 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:

		<b><u>Threshold</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>
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, subject to reduction as provided in Paragraph 3 of the Agreement. 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).

**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 28, 2017

/s/ Stuart Bradie  
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**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, Mark Sopp, 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 28, 2017

/s/ Mark Sopp

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**Mark Sopp**  
**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, 2017 , 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

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**Stuart Bradie**  
**Chief Executive Officer**

Date: April 28, 2017

**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, 2017 , 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/ Mark Sopp

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**Mark Sopp**  
**Chief Financial Officer**

Date: April 28, 2017