Q1 Financial Results

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Forward Looking Statements

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This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include statements regarding our plans, objectives, goals, strategies, future events, future financial performance and backlog information and other information that is not historical information. When used in this presentation, the words “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts” or future or conditional verbs such as “will,” “should,” “could” or “may,” and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs and projections will be achieved.

There are numerous risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from the forward-looking statements contained in this presentation. These risks and uncertainties include, but are not limited to: current or future economic conditions; our ability to obtain and perform under contracts from existing and new customers, including the U.S. government; exposure to cost-overruns, operating cost inflation and potential liability claims and contract disputes; access to trained engineers and other skilled workers; risks relating to operating through joint ventures and partnerships; risks inherent in doing business internationally; potential tax liabilities; maritime risks; changes in the demand for our services and increased competition; protection of intellectual property rights; risks associated with possible future acquisitions; risks related to our information technology systems; impairment of goodwill and/or intangible assets; reduction or reversal of previously recorded revenues; risks relating to audits and investigations, including by governments; compliance with laws and regulations, and changes thereto, including those relating to the environment, trade, exports and bribery; our creditworthiness and ability to comply with the financial covenants in our credit agreement; and other risk factors discussed in our most recently filed Form 10-K and Forms 10-Q, each as may be amended.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date made and are expressly qualified in their entirety by the cautionary statements in this presentation. Except as required by law, we undertake no obligation to revise or update forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

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

Q1 2014 Overview

- New CEO in place and Strategic Review is being launched
- 10-K Restatement and Q-1 filing complete; current with financial reporting to SEC
- Q-1 results adversely impacted by Services and IGP Groups while Gas Mon and Hydrocarbons remain strong
- Canada fabrication / modular assembly contracts remain challenging ($41M loss)
- EPS loss of $0.29; below Company expectations
- Strong cash balance ($1.0B at March 31, 2014) allows return of cash to Shareholders
  - Quarterly Dividends of $12M
  - Share Repurchases: $56M in Q1; $94M YTD through May 2014
- Company's market position remains strong with a good pipeline of Pre-FEED, FEED, and EPC opportunities in 2014, 2015 and 2016

Canadian Pipe Fabrication and Module Assembly

- Seven pipe fabrication/module assembly contracts, unique to our Canada business, that were signed in 2012 – 2013
- Represented significant sales growth but modules were larger and more complex than historic projects. Costs increased / productivity decreased
- Insufficiently trained project managers, project controls, accounting and executive management professionals in Canada to perform oversight. Local control environment also delayed identification / communication of accurate estimates during execution
- Four projects largely completed. One project initiated in Dec 2013 which translates to a Q-1 loss ($10M). Balance of Q-1 loss largely increased quantities on one project (costs and productivity). Client drawings now largely complete
- No new orders under the one master service agreement

Financial impact to date:

(USD $ millions, except EPS)	Q3-13	Q4-13	Q1-14
Gross Profit (loss)	($89M)	($67M)	($41M)
Net Income (Loss) Attributed to KBR*	($69M)	($62M)	($41M)
Diluted EPS*	($0.46)	($0.42)	($0.28)

* 22.52% tax rate applied to Q3-13, 6.23% tax rate applied to Q4-13. No tax benefit in Q1-14.

KBR First Quarter Consolidated Results

Commentary

- As expected, bookings light for quarter. Significant improvement in Q-2 (Hydrocarbons and IGP)
- Gas Mon performance on two LNG projects remain strong and achieved favorable preliminary close out on a legacy LNG project $33M (pre-tax gain)
- Underperformance in Services - Canada fabrication ($41M), US Construction ($8M). IGP adversely impacted from a decline in bookings and charges on legacy disputes ($14M)
- Where appropriate, seeking to commercially resolve legacy disputes. May result in reduced assumed recoveries

	Quarter Ending	
($ in millions, except EPS)	**Mar 31, 2014**	Mar 31, 2013
Bookings	**$ 559**	$ 1,143
Backlog of Unfilled Orders	**$ 13,013**	$ 14,215
Revenue	**$ 1,633**	$ 1,829
Gross Profit	**$ 39**	$ 156
Equity in Earnings	**$ 31**	$ 30
Corporate Overhead	**$ 60**	$ 52
Net Income (Loss) Attributable to KBR	**($43)**	$ 88
EPS (diluted)	**($0.29)**	$ 0.59
EBITDA*	**($2)**	$ 134

* Consolidated EBITDA Reconciliation provided in the Appendix

Segment Reporting – Q1 2014 vs Q1 2013

Revenue

- Decrease primarily due to reduced revenues on Gas-to-Liquids and LNG projects in Africa nearing completion
- Increase in Hydrocarbons from ramp in recent EPC ammonia and Urea project wins in the US

Gross Profit and Equity in Earnings

- Gas Mon Q-1 ‘14 includes a $33M gain on preliminary close out on an LNG project
- Hydrocarbons decrease due to shift in business mix to higher revenue with lower margin EPC projects, $8M in lower earnings on two Middle East projects, increased proposal costs and $9M higher estimated costs on two EPC projects; one legacy dispute and one project nearing completion
- IGP decrease primarily due to reduced business volume on US Gov’t LogCAP IV contract and $14M in charges on legacy disputes
- Services decreased $78M due to costs to complete U.S. Construction projects ($8M) and reduced billing days on MMM maintenance vessels ($7M) due to out of contract periods, and Canada fabrication contracts ($41M)

	Quarter Ending	
($ in millions)	**Mar 31, 2014**	Mar 31, 2013
Revenue		
Gas Monetization	400	595
Hydrocarbons	452	342
IGP	337	399
Services	433	478
Other	11	15
Consolidated Revenue	**1,633**	**1,829**
Gross Profit (Loss) and Equity in Earnings		
Gas Monetization	111	99
Hydrocarbons	22	49
IGP	(11)	27
Services	(60)	18
Other	8	(7)
Consolidated Profit & EE	**70**	**186**
EBITDA		
Gas Monetization	87	88
Hydrocarbons	22	46
IGP	(14)	28
Services	(59)	20
Other (inc. Corp OH)	(38)	(48)
Consolidated EBITDA*	**(2)**	**134**

* Consolidated EBITDA Reconciliation provided in the Appendix

KBR

Cash / Capital Allocation

KBR Cash Balance

$ in millions	Q1 '14	Q1 '13
Domestic	$249	$164
International	$641	$543
JV	$106	$197
Total	**$996**	**$904**

Return of Cash to Shareholders

$ in millions	Q1 '14	YTD May-14	Since Jan-07
Share Repurchases	**$56**	$94	$681
Dividends	**$12**	$12	$204
Total Returned to SHs	**$68**	**$106**	**$885**

Capital Allocation

- Repurchased 3.4 million shares ($94M) through May 31, 2014*
  - $81M under the $350M share buyback authorization announced Feb 27, 2014
  - $13M under the share maintenance program
- Share count as of May 30: 145.4M
- Q-1 Capital expenditures totaled $15M (including ERP of $9M)

*No shares were repurchased subsequent to KBR's 8-K filing on May 5 announcing its intention to restate 2013 earnings

KBR

Market Outlook: Gas Monetization

- Commenced work under Shell Global LNG frame agreement
- Continued strong pipeline of Pre-Front End Engineering Design, FEED, and EPC opportunities
  - Recently awarded & working on Gulf LNG FERC FEED in U.S.
  - Recently awarded & working an LNG liquefaction Pre-FEED for Eastern Canada
  - Recent participation in an LNG site study in Western Canada
  - Recently awarded & working on an LNG Import Terminal pre-FEED in Northern Europe
  - Pursuing LNG pre-FEED's in Africa and Eastern Europe
- Major FEEDs
  - Continue to progress the Petronas Pacific Northwest LNG FEED
  - Expected award of Indonesia LNG project
- Expect to bid 3 multi $ billion EPC contracts in near term
  - Pacific Northwest LNG in Canada (operated by Petronas) – estimated submission Fall 2014 with award early 2015
  - Lake Charles LNG in U.S. – estimated submission Fall 2014 with Award mid-2015
  - LNG in Indonesia – estimated submission summer 2015 with award late 2015 or early 2016
- Earnings expected to hold steady through 2014 but will decline in 2015 until new EPC awards progress

Market Outlook: Hydrocarbons

- Well placed for additional offshore engineering opportunities for UK, Norway and the Gulf of Mexico
- FLNG activity growing; engaged in a number of early stage developments with the opportunity of participating into the EPC phase
- Have won multiple North American refinery FEED projects; positions KBR well for participation in the EPC phase
- Ammonia/Urea EPC greenfield and brownfield markets remain strong in North America; three projects currently underway
- Expect to see several EPC opportunities in the ethylene derivatives industries in North America
- Continue to see robust technology market opportunities with particular strength in ammonia
- Expansion of ongoing downstream and offshore work from the Middle East

Market Outlook: IGP

- Seeing good opportunities with international governments and continued movement in US power markets
- Aspire defense project in the U.K. – construction phase ending in 2014 with continuation of services phase
- Multiple additional expansion opportunities in international government services such as U.K. Ministry of Defence, police support services, training, expeditionary life support services and equipment facilitation
- A number of U.S. overseas sustainment opportunities in process
- Booked Bahrain Base Operating Support contract with the U.S. Government in June (1 year + 4 option years)
- Booked Marshalltown 650MW combined cycle power project in June

Market Outlook: Services

- Continued opportunities in North American construction and industrial services markets; remains competitive
- Mexican offshore industrial services business – longer term contracts (i.e., 3 years), reoccurring
- Well placed to capitalize on the growing industrial services market in Saudi Arabia
- Canadian market remains attractive long-term; short-term focus on stabilizing fabrication business

Summary

- 2014 is a transition year and a strategic review is being launched. However, KBR remains a strong, global company with a diverse portfolio of businesses and technical capabilities
- Plan to capitalize on strong opportunities using core strengths: LNG, Hydrocarbons and International Government Services
- Have a number of large opportunities through pre-FEEDs and FEEDs, and EPC bids
- Cash management and allocation of capital will remain an area of focus
- Earnings guidance will return upon completion of the strategic review

Appendix

Consolidated EBITDA Reconciliation Q1 2014

($ in millions)	Quarter Ending Mar 31, 2014	Mar 31, 2013
Net Income (Loss) Attributable to KBR	**($43)**	$ 88
Add Back:		
Interest Income (Expense)	**($2)**	($1)
Provision for Tax	**($21)**	($30)
Depreciation & Amortization	**($18)**	($15)
Consolidated EBITDA	**($2)**	$ 134

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

KBR

KBR's Four Business Groups

Gas Monetization

- Liquefied Natural Gas
- Gas-to-Liquids

SEGAS LNG

Services

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

Hydrocarbons

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

Navajo Refinery ROSE Unit

Infrastructure, Government & Power

- Power
- Renewable Energy
- US Government
- International Government
- Transportation, Aviation
- Industrial
- Water, Wastewater
- Minerals

Aspire Defense Allenby-Connaught

KBR