

# KBR

## KBR Investor Meetings

*March 24-26, 2015*



*Stuart Bradie – President and Chief Executive Officer*  
*Brian Ferraioli – EVP and Chief Financial Officer*  
*Zachary Nagle – VP, Investor Relations*

***We Deliver***

# Forward-Looking Statements



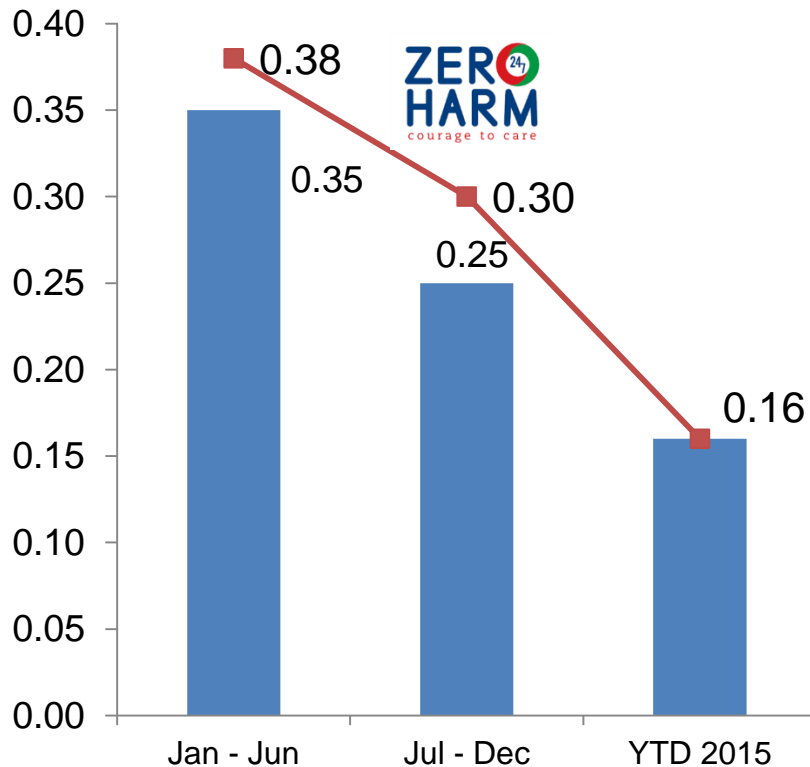
This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include statements regarding our plans, objectives, goals, strategies, future events, future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

There are numerous risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from the forward-looking statements contained in this presentation. These risks and uncertainties include, but are not limited to: current or future economic conditions; our ability to obtain and perform under contracts from existing and new customers, including the U.S. Government; exposure to cost overruns, operating cost inflation and potential liability claims and contract disputes; access to trained engineers and other skilled workers; risks relating to operating through joint ventures and partnerships; risks inherent in doing business internationally; potential tax liabilities; maritime risks; changes in the demand for our services and increased competition; protection of intellectual property rights; risks associated with possible future acquisitions; risks related to our information technology systems; impairment of goodwill and/or intangible assets; reduction or reversal of previously recorded revenues; risks relating to audits and investigations, including by governments; compliance with laws and regulations, and changes thereto, including those relating to the environment, trade, exports and bribery; our creditworthiness and ability to comply with the financial covenants in our credit agreement; and other risk factors discussed in our most recently filed Form 10-K, any subsequent Form 10-Qs and 8-Ks, and other Securities and Exchange Commission filings.

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

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

## KBR TRIR\*



\*Recordable Incidents per 200k man-hours

## Driving to Zero Harm

- Clear and consistent Health, Safety, Security and Environment (HSSE) messaging from Senior Management in town halls, videos
- Structured HSSE Campaign Strategy launched



- HSSE Global Branding Strategy developed, driving single point of focus
- Improvement in Total Recordable Incident Rate (TRIR):
  - 21% improvement from end of year 2013 to end of year 2014 (0.38 to 0.30)
  - 29% improvement – First 6-months versus 2<sup>nd</sup> 6-months (0.35 to 0.25)
  - 47% improvement – from end of year 2014 to YTD 2015

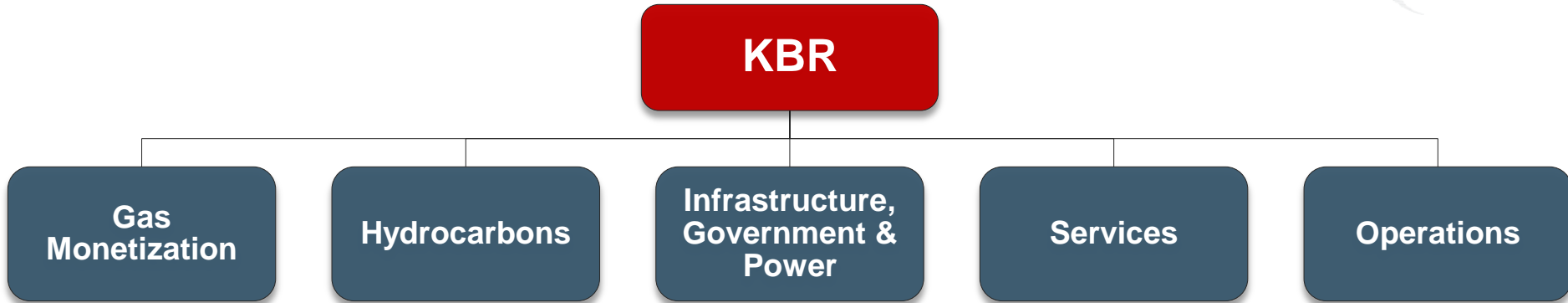


- KBR has a solid base business and strong capabilities
- Company has undergone a strategic review and execution of the strategic plan is underway
- Going forward, focus will be on differentiated offerings in core markets / clients with emphasis on global sales, commercial rigor and consistent delivery
- We will streamline operations and significantly reduce costs
- We will rebalance our current business portfolio
- We will continue our efforts to commercially resolve disputes – i.e. less litigation
- We will employ a balanced capital allocation policy

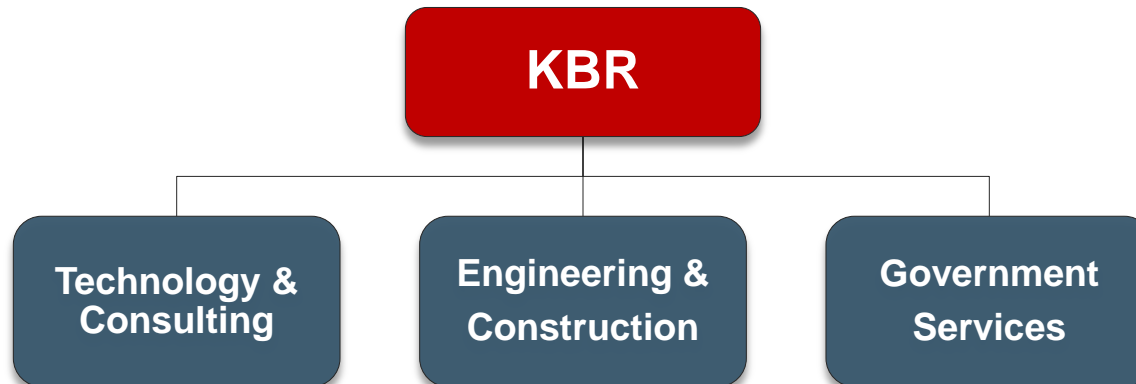
# Structure – Streamlined / Focused



## Old KBR operating segment structure (16 business units)



## New streamlined operating segment structure (5 business units)



# KBR's Business Groups



## Technology & Consulting

### Proprietary Technologies

- **Upstream**
  - Semi-submersible hull design
  - Monohull vessels
- **Downstream**
  - Refining
  - Olefins
  - Ammonia
  - Chemicals
  - Coal Gasification

### Consulting and Services

- **Upstream**
  - Field development planning
  - Project assurance
  - Integrity management
  - Structural analysis
- **Downstream**
  - Downstream consulting
  - Feasibility and revamp studies
  - Technical services
  - Automation consulting and project management



## Engineering & Construction

### Offshore

- Fixed Platforms
- Floating Facilities
- Hulls, Moorings & Risers
- SURF

### LNG / GTL

- Liquefaction
- Regasification
- FLNG
- FSRU

### Onshore

- Oil & Gas
- Refining
- Petrochemicals
- Chemicals
- Ammonia & Fertilizers
- Gasification

### Asset Services

- Maintenance
- Modifications
- Small Capex Projects
- Asset Integrity



## Government Services

### EMEA

- Home Base Operational Support
- Overseas Operational Support
- Programme Management Services
- Resilience Planning & Execution
- Training

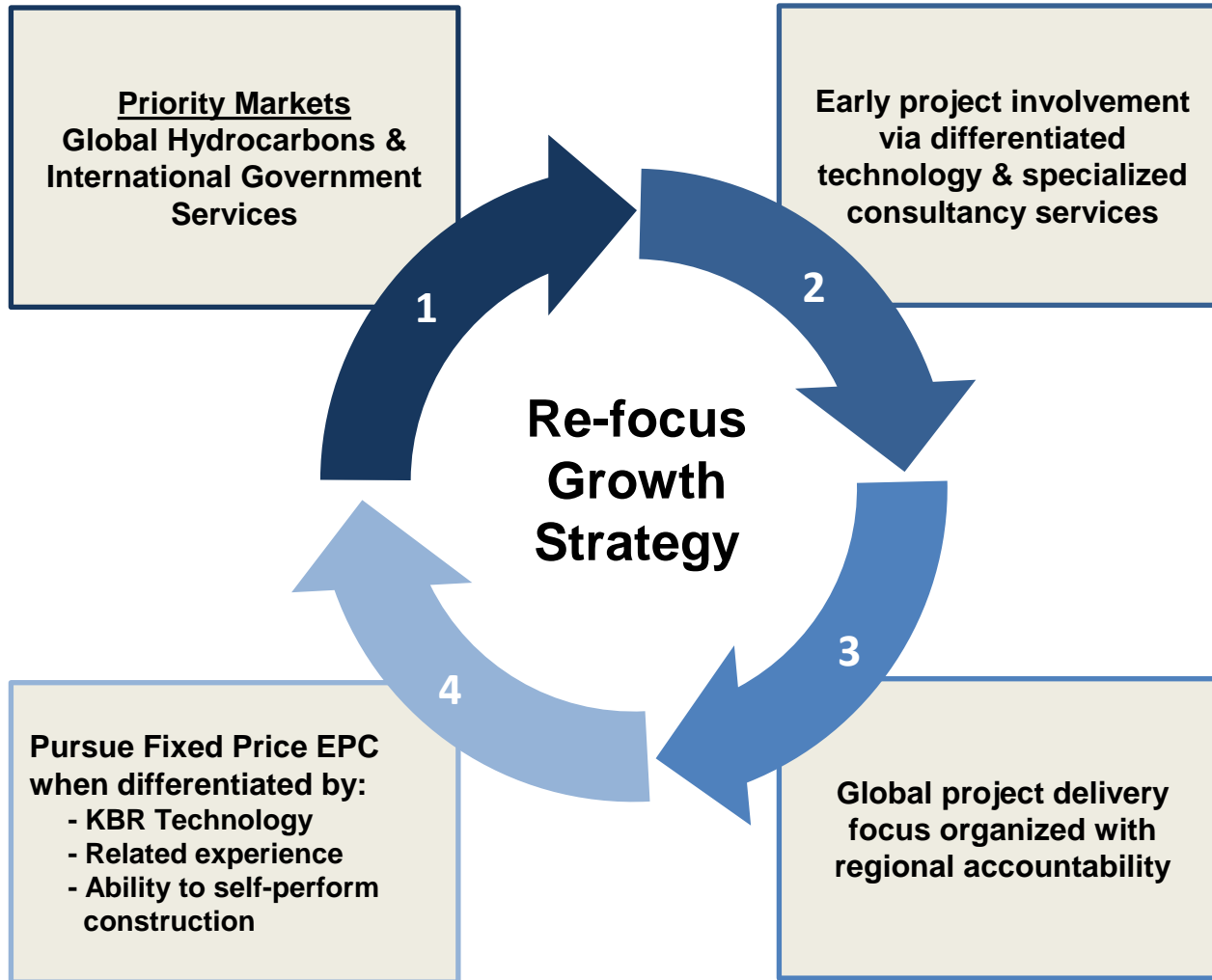
### APAC

- Asset Management
- Systems Engineering
- Integrated Logistics Support
- Capability Risk Management
- Training

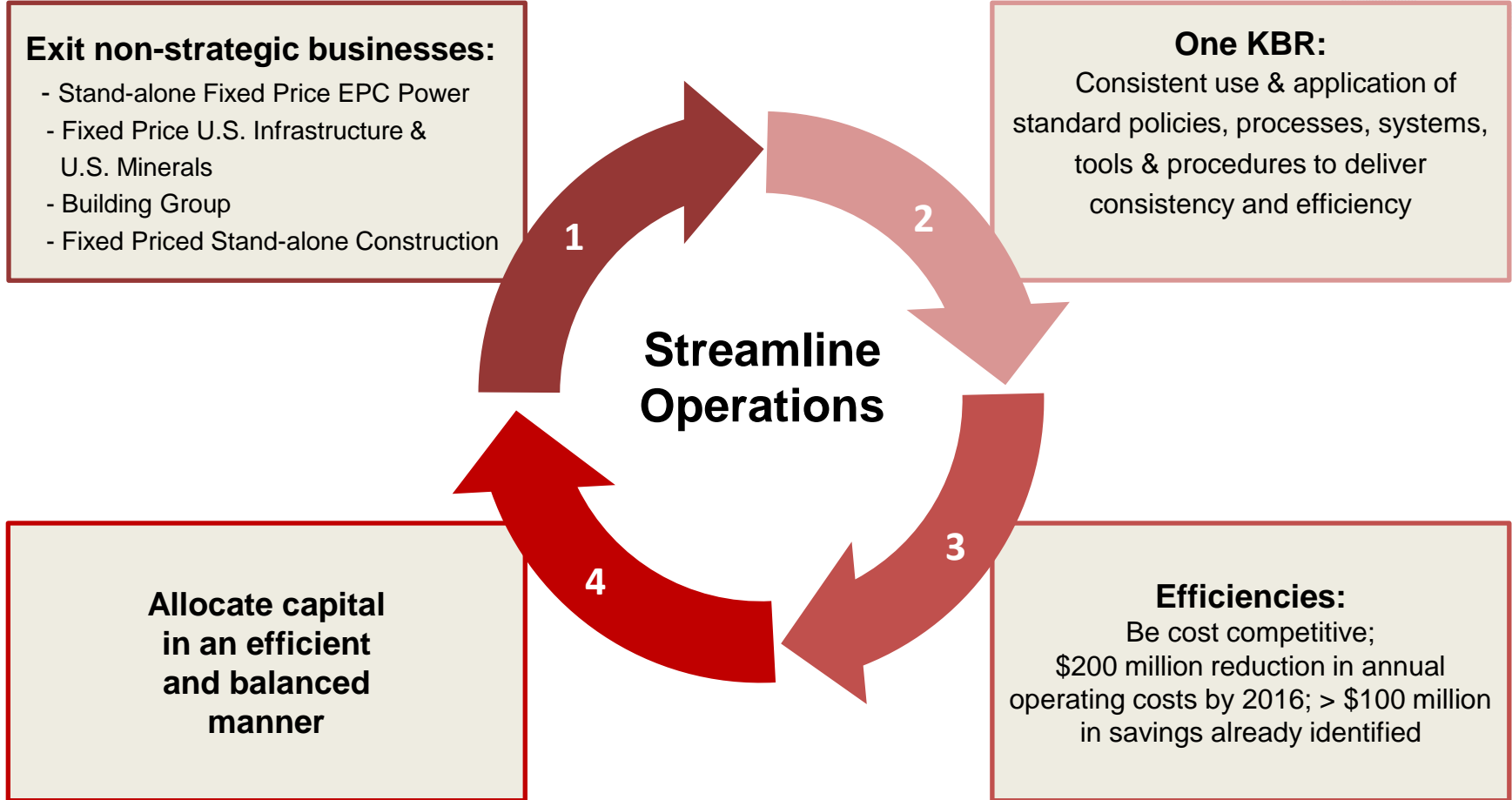
### Americas

- International Base Operations Support
- Remote Life Support Services
- Logistics

# Strategic Priorities



# Framework to Support Core Focus



\* All statements are as of KBR's 4Q14 earnings call on 02/27/2015



## Old KBR

- Targeted Industries:
  - Hydrocarbons
  - Government
  - EPC Power
  - Fixed Price U.S. Infrastructure
  - U.S. Minerals
  - Building Group
  - Fixed Price Stand-Alone Construction
- 16 Business Units
- Structured in Silos
- Mixed Project Delivery Performance
- FY 2013 Revenue: \$7.2B
- FY 2013 Gross Profit & Equity in Earnings Margin: 7.7%

## New KBR

- Focus on Core Industries:
  - Hydrocarbons
  - International Government
- 5 Business Units
- Synergistic Regional Organization
- Project Delivery Accountability, Discipline of Application and Increased Commercial Rigor
- FY 2013 Revenue: \$6.2B
- FY 2013 Gross Profit & Equity in Earnings Margin: 11.0%

# Key Objectives

- Deliver segment margin percentage targets and \$200M annualized savings (announced at company's analyst day in Dec. 2014)
  - T&C gross profit and equity in earnings margin – low 20 range
  - E&C gross profit and equity in earnings margin – upper single digits range
  - GS gross profit and equity in earnings margin – low teens range (excluding legacy U.S. Gov't costs)
  - \$200 million in annual savings by 2016
- Drive bookings to maintain flat backlog by year-end 2015 vs. year-end 2014 and grow backlog in 2016
- Deliver against 2015 guidance for EPS of between \$1.07 and \$1.22 (excluding \$18M-\$25M of legal fees associated with legacy U.S. Government projects)
- Deliver balanced capital allocation
- Deliver excellent project delivery in core segment portfolios

*\* All statements are as of KBR's 4Q14 earnings call on 02/27/2015*

# Market Outlook: Technology & Consulting



- Technology market opportunities strong, led by ammonia, refining, olefins & other chemicals
- Prospects include a balance of new facilities and rebuilds
- Opportunities in China and elsewhere for VCC (Veba Combi-Cracker) technology and converting heavy Hydrocarbons into lighter fuels, esp. diesel
- Consulting opportunities in Upstream E&P, onshore and offshore, Midstream (gas processing, transmission pipelines, terminals) and Downstream (LNG, refining, petrochemicals, fertilizers)
- Continue to look for additional opportunities to expand T&C technology portfolio into new products and services

*\* All statements are as of KBR's 4Q14 earnings call on 02/27/2015*



## Recent awards supporting strategic focus areas

- Yara / BASF Grassroots Ammonia Complex, EPC award
- BG Alliance Partnership Award for front end project development
- Saudi Aramco - Long Term Agreement for Offshore Oil & Gas Projects
- Magnolia LNG technical services agreement / MOU
- Major Reimbursable Construction Services award

## Healthy base of large projects in backlog through 2015 & 2016

- Executing two mega-LNG projects – Gorgon and Ichthys
- Existing LNG projects expected to remain significant components of earnings in 2015 & 2016
- LNG prospects support backlog growth in 2016 and beyond
- Now executing four EPC ammonia / urea projects in North America utilizing KBR Technology

*\* All statements are as of KBR's 4Q14 earnings call on 02/27/2015*

# Market Outlook: E&C (Continued)



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

- Downstream opportunities (refining and petrochemicals) in the Middle East remain strong
- Continued work on several North America downstream and chemicals FEEDs with EPC rollover opportunities
- Onshore upstream opportunities in Middle East & Caspian remain positive due to low cost of development
- Offshore developments continue in GoM and West Africa; also offshore brownfield in Caspian Sea
- Additional offshore project opportunities for UK/Norway North Sea; Thailand, Qatar, & Indonesia
- Major LNG developments in process
  - Continue to work on Shell Global LNG Agreement, with several assignments underway
  - KBR/JGC/Rekayasa JV awarded FEED and EPC bid opportunity for Tangguh Train 3; work started in Nov 2014
  - Magnolia LNG services work started on a medium scale North American LNG facility, leading to EPC pricing in Q3
  - Pre-FEED work for LNG (client confidential)
- Bidding on 3 multi-billion USD LNG EPC contracts
  - Pacific Northwest bid in Q3 2014 – Project status and award date unclear
  - Trunkline LNG, Lake Charles, LA – Award expected 2016
  - Tangguh LNG in Indonesia – Award expected 2016

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# Market Outlook: Government Services



Technology & Consulting  
Engineering & Construction  
Government Services

- U.K. Army Re-Basing – Client has confirmed intention to contract with existing KBR JV for facilities construction, subject to satisfactory negotiation. Award expected in 2015
- Strong operational performance continues for U.K. MoD Work – long-term facilities maintenance continues with incremental scope expected from Re-basing contract
- Confirmed preferred bidder for U.K. MoD Fixed Wing Training contract – another long-term annuity type project
- Multiple International Government service opportunities: Expeditionary support services and equipment facilitation in support of U.K. MoD and Foreign Affairs; U.K. Police and other local gov't support services; Australian Defence Force support services opportunities
- A number of U.S. overseas base operations support opportunities in process
- Possible growth for further services in Iraq under LogCAP IV

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# Key Takeaways



- KBR's restructuring has begun and is on track to deliver:
  - T&C gross profit and equity in earnings margin – low 20 range
  - E&C gross profit and equity in earnings margin – upper single digits range
  - GS gross profit and equity in earnings margin – low teens range (excluding legacy U.S. Gov't costs)
  - \$200 million in annual savings by 2016
- Recent awards support strategic direction: key contracts for EPC ammonia project with Yara / BASF; KBR selected as BG Group's Global Upstream Alliance Partner; signed long-term agreement for Offshore Oil & Gas Projects with Saudi Aramco; awarded a technical services and EPC submission agreement with Magnolia LNG for U.S. brownfield plant; SOCAR JV in Azerbaijan, major reimbursable construction award in U.S.
- Oil prices remain depressed but KBR's focus on projects capitalizing on low cost natural gas positions us well for project awards in 2015 and 2016; see minimal risk to existing backlog and an opportunity to grow backlog in 2016
- KBR's balanced portfolio business (upstream, midstream, downstream) is less exposed to low oil prices than peers

\* All statements are as of KBR's 4Q14 earnings call on 02/27/2015

# KBR

## 4Q14 Financial Overview

**ZERO  
HARM**  
courage to care



*We Deliver*



# Restructuring Charge Reconciliation to Reported P&L



Technology & Consulting  
Engineering & Construction  
Government Services

## Impacts from Restructuring (Estimates vs Actual)

*in USD millions*

Item	High End Analyst Day Range	4Q14 Actual	Cash	Future Cash	Non-cash	Mapping to 10-K Consolidated Statement of Operations
Goodwill Impairment	\$ 325	\$ 446	\$ -	\$ -	\$ 446	Impairment of Goodwill
ERP and Other Impairments	200	171	-	-	171	Asset Impairment & Restructuring Charges
Tax Reserves and Allowances	200	320	-	-	320	Provision for Income Taxes
Allowance: U.S. Power Projects	125	130	-	130	-	Non-Strategic Businesses (Revenue)
Allowance: U.S. Government	100	46	-	15	31	Government Services (Revenue)
Restructuring Costs	50	43	8	35	-	Asset Impairment & Restructuring Charges
<b>Total</b>	<b>\$ 1,000</b>	<b>\$ 1,156</b>	<b>\$ 8</b>	<b>\$ 180</b>	<b>\$ 968</b>	

# Consolidated Results: Q4 2014 vs Q4 2013

Technology & Consulting  
Engineering & Construction  
Government Services

## Quarter Ending

### Commentary

- Gross Profit includes \$130M previously announced charge on U.S. Power projects
- Charges related to a number of discrete items impacted the financials in Q4 2014 in E&C and Gov't Services
- Impairment of goodwill due to restructuring largely driven by impaired BE&K and R&S assets
- Asset impairment and restructuring charges largely ERP and severance related
- Established Valuation Allowances for deferred tax assets – non-cash and do not lose tax attributes

(\$ in millions, except EPS)	Dec 31, 2014	Dec 31, 2013
Bookings (New Awards)	\$ 380	\$ 1,116
Backlog of Unfilled Orders	\$ 10,859	\$ 14,118
Revenue	\$ 1,417	\$ 1,680
Gross Profit	(\$162)	\$ 7
Equity in Earnings	\$ 45	\$ 30
General & Administrative Expenses	(\$61)	(\$67)
Impairment of goodwill	(\$446)	\$ 0
Asset impairment and restructuring charges	(\$214)	\$ 0
Provision for income taxes	(\$391)	(\$24)
Net Income Attributable to KBR	(\$1,241)	(\$56)
EPS (diluted)	(\$8.57)	(\$0.38)
EBITDA*	(\$828)	(\$11)

\*Consolidated EBITDA reconciliation provided in the Appendix.

# Segment Reporting: Q4 2014 vs Q4 2013



## Quarter Ending

### Revenue

- T&C primarily impacted by completion of Basic Engineering and Design (BED) activities in 2014
- Reflects higher revenue from ammonia and oil & gas projects, offset by lower volume on large GTL and LNG projects that neared completion in 2014, and lower activity on LogCAP IV and U.K. MoD Afghanistan-related projects

### Gross Profit and Equity in Earnings

- T&C impacted by reductions of estimates of revenues at completion / other adjustments on several contracts (\$9M)
- E&C higher primarily due to strong performance on LNG projects, partially offset by a net increase in costs to complete certain projects (\$22M), including a gain on Canadian pipe / module assembly projects related to project close out activities and claims settlements with clients
- GS impacted by \$46M in charges relating to legacy (LogCAP III, RIO) contracts (restructuring schedule). Also, loss reflects \$17M in increased costs to complete two projects where we have not received change orders
- Non-Strategic Business primarily impacted by \$130M in charges on U.S. Power projects (restructuring schedule)
- EBITDA primarily impacted by restructuring activities

(\$ in millions)

Dec 31, 2014

Dec 31, 2013

#### Revenue

Technology & Consulting	68	94
Engineering & Construction	1,038	1,106
Government Services	111	237
Non-Strategic Business	200	243
<b>Consolidated Revenue</b>	<b>1,417</b>	<b>1,680</b>

#### Gross Profit (Loss) and Equity in Earnings

Technology & Consulting	5	17
Engineering & Construction	59	(26)
Government Services	(42)	53
Non-Strategic Business	(139)	(7)
<b>Consolidated Profit &amp; EE</b>	<b>(117)</b>	<b>37</b>

#### EBITDA

Technology & Consulting	1	17
Engineering & Construction	(247)	(38)
Government Services	(51)	55
Non-Strategic Business	(353)	(4)
Other	(178)	(41)
<b>Consolidated EBITDA*</b>	<b>(828)</b>	<b>(11)</b>

\*Consolidated EBITDA reconciliation provided in the Appendix.

# Cash / Capital Allocation



## KBR Cash Balance

(\$ in millions)	Q4 2014	Q4 2013
Domestic	\$200	\$355
International	\$690	\$675
JV	\$80	\$76
<b>Total</b>	<b>\$970</b>	<b>\$1,106</b>

## Return of Cash to Shareholders

(\$ in millions)	Q4 2014	YTD Dec-14	Since Jan-07
Share Repurchases	\$4	\$106	\$731
Dividends	\$12	\$47	\$239
<b>Total Returned to SHs</b>	<b>\$16</b>	<b>\$153</b>	<b>\$970</b>

### Return of cash to shareholders through share repurchases and dividends

- In 2014, KBR repurchased 4M shares and returned \$153M to shareholders through share repurchases and dividends
- Since January of 2007, KBR has returned \$970M through share repurchases and dividends
- Expect power projects and restructuring activities to drive negative cashflow from operations in 2015

\* All statements are as of KBR's 4Q14 earnings call on 02/27/2015

# Summary



Technology & Consulting  
Engineering & Construction  
Government Services

- Restructuring has begun and is on track to achieve margins and cost savings targets
- 4Q14 results include significant restructuring and tax valuation related charges
- 4Q14 segment operating results reflect some discrete items not expected to reoccur
- Market somewhat challenged but encouraging awards across our business – won key contracts for Yara/BASF EPC ammonia project; selected as BG Group’s Global Upstream Alliance Partner, signed long-term maintenance agreement for Offshore Oil & Gas Projects with Saudi Aramco; awarded a technical services and EPC submission agreement with Magnolia LNG for U.S. brownfield plant.
- Imminent opportunities with UK MoD for Government Services segment
- Expect a profitable 2015 even as restructuring activities continue
- 2015 EPS target of \$1.07-\$1.22, excluding legacy U.S. Gov’t legal fees (\$18M-\$25M pre-tax)

*\* All statements are as of KBR’s 4Q14 earnings call on 02/27/2015*



# KBR

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## Appendix

# Consolidated EBITDA Reconciliation 4Q 2014



Technology & Consulting  
Engineering & Construction  
Government Services

(\$ in millions)	Quarter Ending	
	Dec 31, 2014	Dec 31, 2013
Net Income Attributable to KBR	(\$1,241)	(\$56)
Add Back:		
Interest Income (Expense)	(\$5)	(\$2)
Provision for Tax	(\$391)	(\$24)
Depreciation & Amortization	(\$17)	(\$19)
Consolidated EBITDA	(\$828)	(\$11)

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