

KBR

Q1 2015 FINANCIAL RESULTS

April 29, 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.

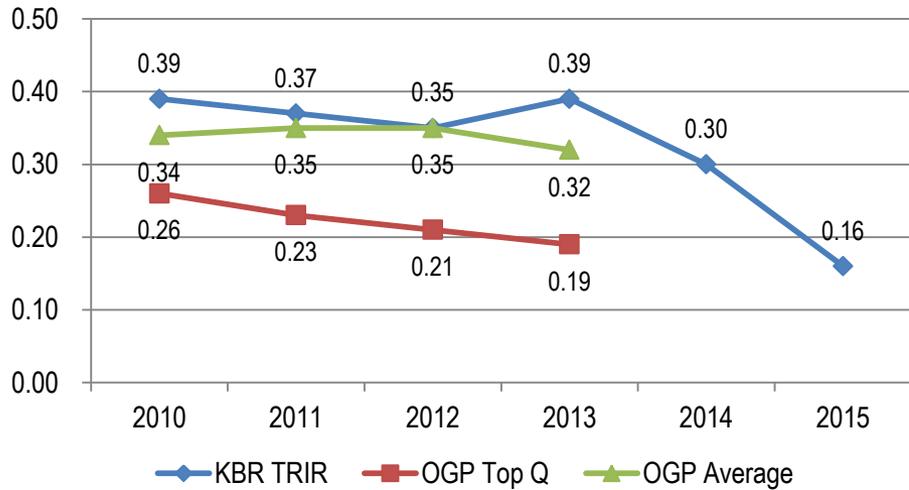
All forward-looking statements attributable to us, or persons acting on our behalf, apply only as of the date made and are expressly qualified in their entirety by the cautionary statements in this presentation. Except as required by law, we undertake no obligation to revise or update forward-looking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

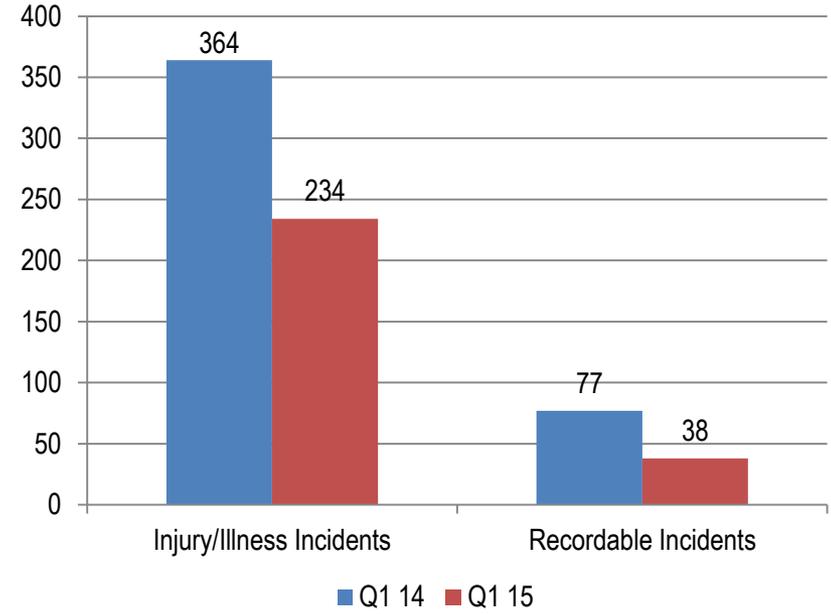
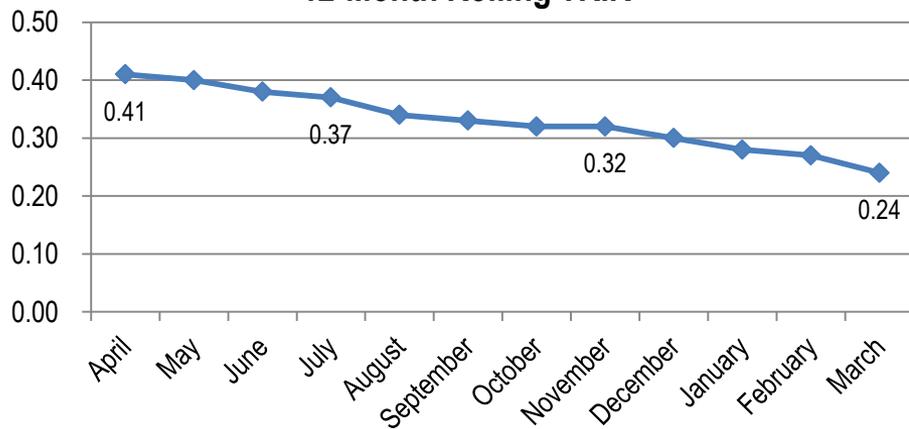
KBR HSE Performance



5-Year TRIR Performance



12-Month Rolling TRIR



Q1 Summary



- Significantly improved earnings versus 2014.
- Strategy on track to achieve targeted margins and cost savings by Y/E 2016.
 - More than \$100M savings identified and actioned to-date; will be realized throughout 2015.
- Two mega LNG projects continue to perform well and are expected to remain significant contributors to earnings in 2015 and 2016.
 - Resolution of pending change orders could result in 2016 LNG income being comparable to 2015.
- Continued wins in strategically important areas – e.g., Yara / BASF ammonia EPC, SOCAR JV in Azerbaijan, reimbursable construction project; Dragon LNG Boil-Off Gas (BOG) Re-Liquefaction project.
- Oil prices remain depressed but KBR's focus on low cost natural gas related projects and international government services positions us well for project awards in 2015 and 2016; expect backlog to be flat in 2015 and grow in 2016.
- As expected, cash negatively impacted in Q1 by certain non-project payments and FX fluctuation.

Consolidated Results: Q1 2015 vs Q1 2014



Commentary

- Revenues declined from completion of N.A. construction and Canadian module assembly projects and reduced activity on LNG projects.
- Gross profit and equity in earnings reflects improved underlying business performance, reduced operational costs and project charges in 1Q14 that did not reoccur in 1Q15.
- G&A \$21M lower from cost reduction initiatives.
- Net Income reflects improved performance and cost reduction initiatives.

(\$ in millions, except EPS)	Mar 31, 2015	Mar 31, 2014
Bookings	\$ 899	\$ 559
Backlog of Unfilled Orders	\$ 10,287	\$ 13,013
Revenues	\$ 1,436	\$ 1,633
Gross profit	\$ 70	\$ 39
Equity in earnings	\$ 35	\$ 31
General & administrative expenses	(\$39)	(\$60)
Asset impairment and restructuring charges	(\$2)	\$ 0
Provision for income taxes	(\$19)	(\$21)
Net income (loss) attributable to KBR	\$ 44	(\$43)
EPS (diluted)	\$ 0.30	(\$0.29)
EBITDA*	\$ 76	(\$2)

*Consolidated EBITDA reconciliation provided in the Appendix.

Segment Reporting: Q1 2015 vs Q1 2014



Revenue

- T&C reflects mix shift to more technology services and less proprietary equipment; E&C reflects completion of certain N.A. construction and module assembly projects, and an LNG project in 2014 and reduced activity on an LNG project nearing completion; GS reflects reduced military support services on U.K. MoD Afghanistan-related projects.

Gross Profit and Equity in Earnings

- T&C reflects earnings and margins from shift in mix of work previously noted on olefins, syngas and refining projects and overhead reduction initiatives currently underway.
- E&C reflects improved underlying business performance / lower overheads. 2014 included \$41 million in losses on Canadian module assembly projects, \$8 million in charges on several N.A. construction projects and a \$33 million net favorable settlement on an LNG project that did not reoccur in 2015.
- GS reflects reduced military support services on U.K. MoD Afghanistan-related projects and 1Q15 legacy-related legal fees of \$5M, partially offset by lower overheads.
- Non-Strategic Business reflects charges taken in 1Q14 on certain Minerals and Infrastructure projects that did not reoccur in 1Q15 and lower overheads.
- Other EBITDA primarily reflects lower Corporate G&A of \$39M versus \$60M in the prior year.

(\$ in millions)	Mar 31, 2015	Mar 31, 2014
Revenues		
Technology & Consulting	72	91
Engineering & Construction	977	1,137
Government Services	155	186
Non-Strategic Business	232	219
Consolidated Revenues	1,436	1,633
Gross profit (Loss) and equity in earnings		
Technology & Consulting	19	15
Engineering & Construction	76	46
Government Services	10	19
Non-Strategic Business	0	(10)
Consolidated gross profit & equity in earnings	105	70
EBITDA		
Technology & Consulting	18	15
Engineering & Construction	65	16
Government Services	10	18
Non-Strategic Business	0	(8)
Other	(17)	(43)
Consolidated EBITDA*	76	(2)

*Consolidated EBITDA reconciliation provided in the Appendix.

Cash / Capital Allocation



KBR Cash Balance

(\$ in millions)	Q1 2015	Q4 2014
Domestic	\$181	\$200
International	\$499	\$690
JV	\$78	\$80
Total	\$758	\$970

Return of Cash to Shareholders

(\$ in millions)	Q1 2015	Since Jan-07
Share Repurchases	\$16	\$747
Dividends	\$12	\$251
Total Returned to SHs	\$28	\$998

Key Uses of Cash in 1Q15 (\$M)

Settlement payment to former parent	12
U.S. Gov't audit close outs	23
JV partner buyout Middle East	48
Stock repurchases	16
Dividends	12
FX related	64
Subtotal	175

- Technology market opportunities led by ammonia, refining, olefins & other chemicals – received a significant order for license, basic engineering and pre-FEED work for a series of ammonia plant revamps (Q2 award).
- Award of Technical Services and EPC Pricing for potential appx. \$2 billion ammonia/urea complex in Mid-West USA.
- Opportunities in China and elsewhere for VCC (Veba Combi-Cracker) technology and converting heavy Hydrocarbons into lighter fuels, esp. diesel. Start-up of KBR's VCC plant in China has gone well. Several new VCC inquiries received.
- Consulting opportunities in upstream E&P, onshore and offshore, midstream (gas processing, transmission pipelines, terminals) and downstream (LNG, refining, petrochemicals, fertilizers) albeit market is tight.
- Continue to look for additional opportunities to expand T&C technology portfolio into new products and services.

Market Outlook: E&C



Q1 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.
- Major reimbursable construction services award.
- EPCM award by Dragon LNG for Boil-Off Gas (BOG) Re-Liquefaction project.

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; resolution of pending change orders could result in 2016 LNG income being comparable to 2015.
- LNG prospects support backlog growth in 2016 and beyond.
- Now executing four EPC ammonia/urea projects in North America utilizing KBR Technology, with two others under pre-FEED stage.

Market Outlook: E&C (Continued)



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

- Increased focus on Middle East opportunities (refining and petrochemicals).
- Award of Technical Services and EPC Pricing for potential appx. \$2 billion ammonia/urea complex in Mid-West USA.
- Onshore upstream opportunities in Middle East & Caspian remain positive due to low cost to develop. JV with SOCAR – National Oil Company of Azerbaijan also positions us well for offshore brownfield.
- Offshore developments continue in GoM and West Africa. Additional offshore project opportunities for North Sea: Maersk Culzean, UK, and Johan Sverdrup, Norway North Sea; Thailand, Qatar, & Indonesia.
- Early work awarded (Offshore Oil & Gas) under the BG Global Alliance Agreement.
- Major LNG developments in process:
 - Continue to work on Shell Global LNG Agreement, with several assignments underway.
 - KBR/JGC/Rekayasa JV continue FEED and EPC bid opportunity for Tangguh Train 3.
 - KBR/SK JV services work commenced for Magnolia LNG on a medium scale sole-source LNG facility, leading to EPC pricing in Q3.
 - Pre-FEED work for a confidential LNG.
 - FEED for Lloyds Energy on Black Sea LNG (nearshore FLNG facilities).
- Bidding on 2 multi-billion USD LNG EPC contracts:
 - Pacific Northwest bid in Q3 2014 – award date unclear.
 - Tangguh LNG in Indonesia – award expected 2016.
 - Lake Charles LNG – Technip/KBR JV not shortlisted as the JV was unwilling to accept unlimited fixed price construction risk associated with the mechanical scope of work for a project of that magnitude on the U.S. Gulf Coast.

Market Outlook: Government Services

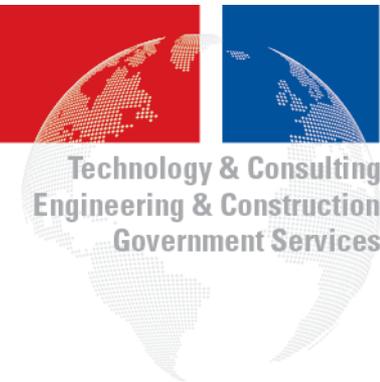


Technology & Consulting
Engineering & Construction
Government Services

- U.K. Army re-basing – Client confirmed intention to contract with existing KBR JV for facilities construction, subject to satisfactory negotiation. Award expected in 3Q 2015.
- Strong operational performance continues for U.K. MoD Work – long-term facilities maintenance continues with incremental scope expected from Re-basing contract. Backlog would be \$4 billion higher if all years of existing O&M contract were in backlog.
- Confirmed preferred bidder for U.K. MoD Fixed Wing Training (MFTS) 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. Awarded Arabian Peninsula contract (Q2).
- Services in Iraq under LogCap IV contract grew in the period with further growth possible.

Summary

- Significantly improved earnings vs 2014.
- KBR's restructuring remains on track to deliver \$200 million in annual cost savings by 2016 and gross profit and equity in earnings margin percentages:
 - T&C – low 20s.
 - E&C – upper single digits.
 - GS – low teens range (excluding legacy U.S. Gov't costs).
- Continued success in strategically important areas – Yara / BASF ammonia EPC, SOCAR JV in Azerbaijan, major reimbursable construction project, Dragon LNG BOG Re-Liquefaction EPCM.
- Expect backlog to be flat in 2015 and have the opportunity to grow in 2016.
- Expect two major LNG projects to contribute significantly to 2015 and 2016 earnings; resolution of pending change orders could result in 2016 LNG income being comparable to 2015.
- Company reaffirms annual EPS guidance range of \$1.07-\$1.22, excluding legacy costs (Q1 legacy legal costs were \$5M or appx. \$0.03 EPS).



KBR

Appendix

Consolidated EBITDA Reconciliation 1Q 2015



Technology & Consulting
Engineering & Construction
Government Services

(\$ in millions)	Quarter Ending	
	Mar 31, 2015	Mar 31, 2014
Net Income Attributable to KBR	\$44	(\$43)
Add Back:		
Interest Income (Expense)	(\$2)	(\$2)
Provision for Income Taxes	(\$19)	(\$21)
Depreciation & Amortization	(\$11)	(\$18)
Consolidated EBITDA	\$76	(\$2)

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