KBR

2Q 2016 Financial Results

July 29, 2016

ZERO 24/7 HARM
courage to care

We Deliver

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Forward-Looking Statements

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Engineering & Construction
Government Services

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 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.

Safety: Moving Towards Zero Harm

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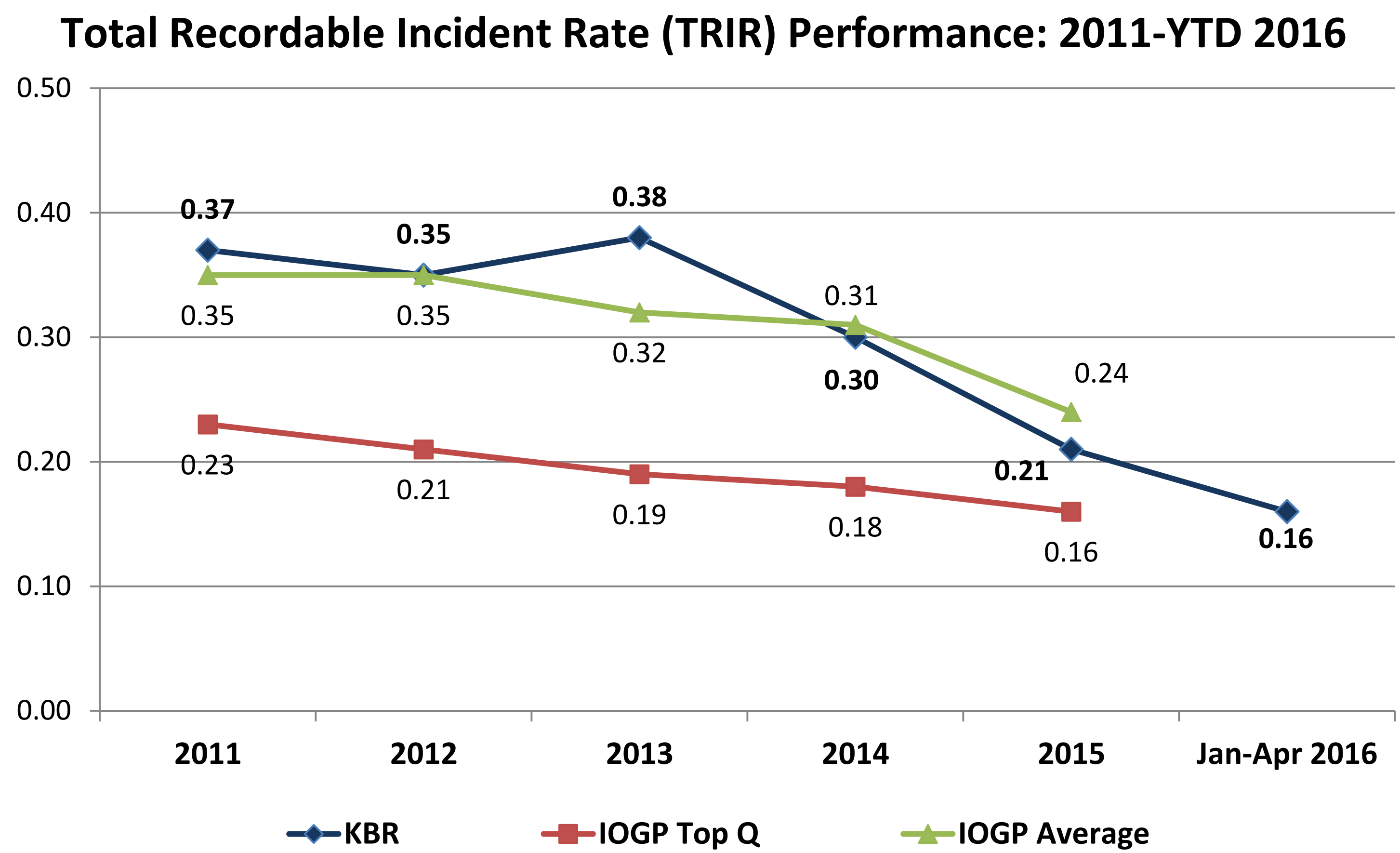
47% decrease in TRIR and 20% increase in Zero Harm Days achieved over last 18 months. Achieved top quartile IOGP performance in 2016.



IOGP = International Association of Oil & Gas Producers

Summary of 2Q16 and Initiatives Progress

2Q 2016 Highlights

- Solid earnings quarter – **$0.32/share** ($0.35 excluding $4M in legacy USG legal fees)
- Signed agreement with USG on reimbursement of legal costs and future awards to plaintiffs related to sodium dichromate legal dispute
- Settlement gain on closeout activities for an LNG project in Africa
- Change in estimate for an ammonia project in the U.S. as a result of liquidated damages due to equipment failure
- Increase in costs related to a power project in our Non-strategic Business
- Won multiple key contracts and contract extensions in the GS segment
- Won several Australian infrastructure contracts and key Technology license and engineering projects

Progress on Initiatives

- Strong growth in Government Services business offsetting hydrocarbons headwinds
- Closed Wyle acquisition on July 1
  - 2Q16 results include $1.4M in acquisition deal costs (G&A)
- Focus on synergies between businesses: Combined strengths open new joint opportunities – Transfer of personnel in challenged E&C business to GS
- Cost savings plan achieved with more than $200M identified to date. Actions continue for additional reductions
- Reviewing additional acquisition opportunities in three focus areas (technology, government services, industrial services)
- Continue to make progress on resolving legal disputes with U.S. Government
- Pemex cash award – still awaiting ruling

Consolidated Results: 2Q 2016 vs 2Q 2015

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	Quarter Ending	
($ in millions, except EPS)	**Jun 30, 2016**	**Jun 30, 2015**
New Awards	$ 331	$ 785
Backlog of Unfilled Orders	$ 11,032	$ 15,298
Revenues	$ 1,009	$ 1,381
Gross Profit	$ 74	$ 74
Equity in Earnings	$ 33	$ 53
Gross Profit & Equity in Earnings	$ 107	$ 127
General & Administrative Expenses	($34)	($42)
Restructuring Charges	($12)	($17)
Gain on Disposition of Assets	$ 2	$ 28
Provision for Income Taxes	($23)	($23)
Net income attributable to KBR	$ 47	$ 62
EPS (diluted)	**$ 0.32**	**$ 0.43**
EBITDA*	$ 80	$ 95

**Consolidated EBITDA reconciliation provided in the Appendix.*

- 2Q16 backlog reflects workoff of two large LNG projects in Australia and an approximate $0.5B reduction due to GBP to USD Fx translation.
- Revenues reflect the deconsolidation of our Industrial Services business (was $119M in 2Q15), reduced activity on non-strategic power projects and reduced activity on an LNG project in Australia.
- Gross profit and equity in earnings reflects lower earnings in 2Q16 due to reduced volume of projects, higher costs to complete on an E&C project in the U.S. and on a power project in our NSB segment, which were offset by growth in GS including earnings from an agreement with the USG on reimbursement of legal fees related to sodium dichromate and a gain from closeout activities on an LNG project in Africa.
- G&A reflects cost reduction initiatives but also includes $1.4M in Wyle deal costs.
- 2Q15 results included a $28M gain on sale of a non-strategic business.

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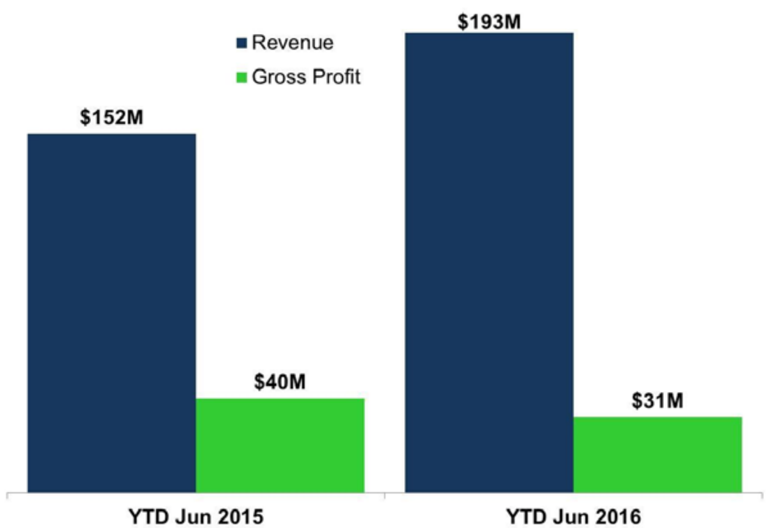

- In 2Q16, T&C revenues were $98M which was 23% higher than 2Q15 due to significantly higher revenue from sales of proprietary equipment which accounted for almost 60% of total revenue in the quarter.
- This trend has continued from 1Q16 and is expected to continue through the remainder of the year as the mix of work in this segment is more focused on equipment sales in the short-term until we execute recently awarded projects with license and engineering components.
- T&C gross profit in 2Q16 decreased by $6M, or 29% due to project mix and lower volume of consulting projects.
- The market for upstream consulting services remains challenged, however, the focus is on technology and downstream projects in the short-term which are generating the majority of the earnings in 2016.

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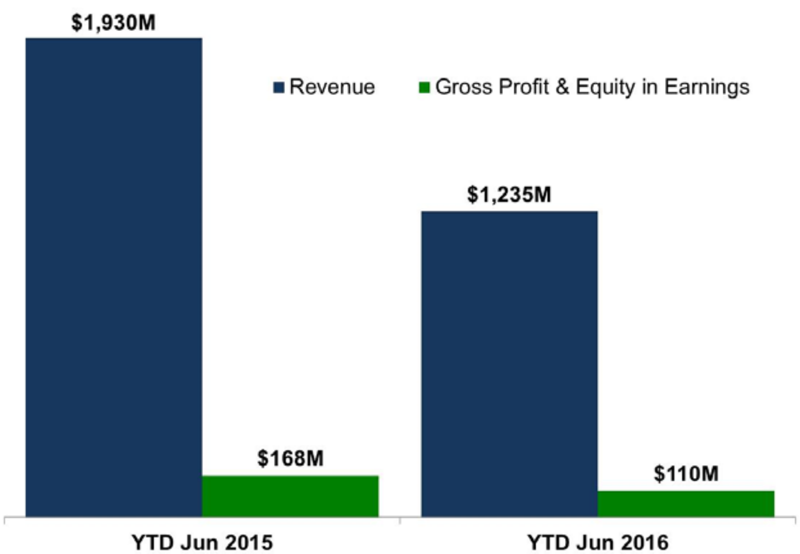
OFFSHORE


LNG/GTL


ONSHORE


ASSET SERVICES



- In 2Q16, E&C revenue was $621M (35% decrease from 2Q15) due to the sale and deconsolidation of the Industrial Services business in 3Q15 as well as and reduced activity on several projects including one of the major LNG projects in Australia. There was also increased revenue from new activity including progress on projects in North America and a positive settlement on closeout activities on an LNG project in Africa.
- Gross profit in 2Q16 was $35 million, a 33% reduction from 2Q15 due primarily to reduced activity on lower volume of work and on the LNG project in Australia, the deconsolidation of the Industrial Services business and an increase in the estimated costs to complete an EPC ammonia project in the U.S. ($39M). These decreases were partially offset by the gain on the African LNG project (+$36M) and reduced overhead costs from the global cost reduction initiatives.
- Equity in earnings was $17 million lower this quarter compared to 2Q15 primarily due to a favorable adjustment in 2Q15 that did not reoccur in 2016.

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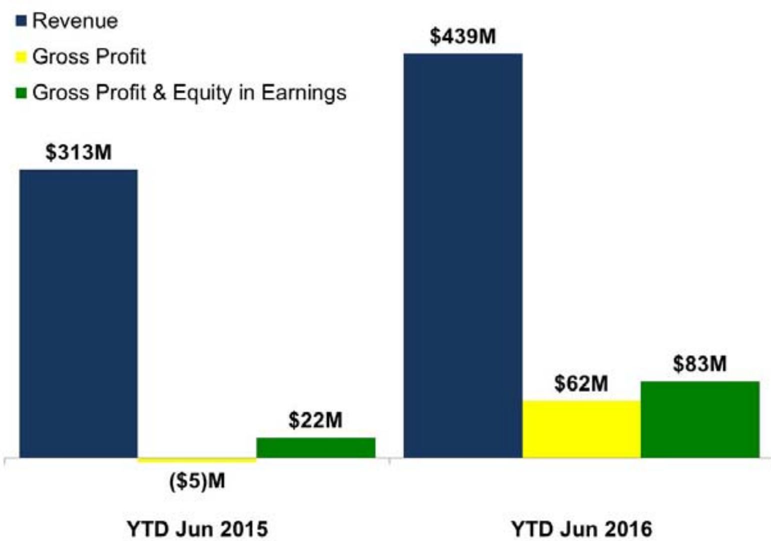
EMEA

APAC

AMERICAS

AMERICAS



- In 2Q16, GS revenues were $229M (45% higher than 2Q15) due to expansion of existing U.S. Govt contracts in the first half of 2016 as well as the settlement of $33M in reimbursable legal fees related to the sodium dichromate matter.
- GS gross profit in 2Q16 increased by $42M to $41M attributable to the sodium settlement as well as higher volume from U.S. government contracts .
- GS equity in earnings was $3M lower than 2Q15 due to reduced equity earnings from a U.K. MoD construction project that was completed in 2015.
- GS prospects in all three markets: U.S., U.K. and Australia, continue to be strong with several key wins and contract extensions in each during the first half of 2016; expect to be awarded the Army 2020 contract from the UK MoD by year end; and expansion of opportunities through the Wyle acquisition.
- Other than financial reporting translation (GBP-USD), impact of Brexit on UK business is limited.

Government Services: KBRwyle

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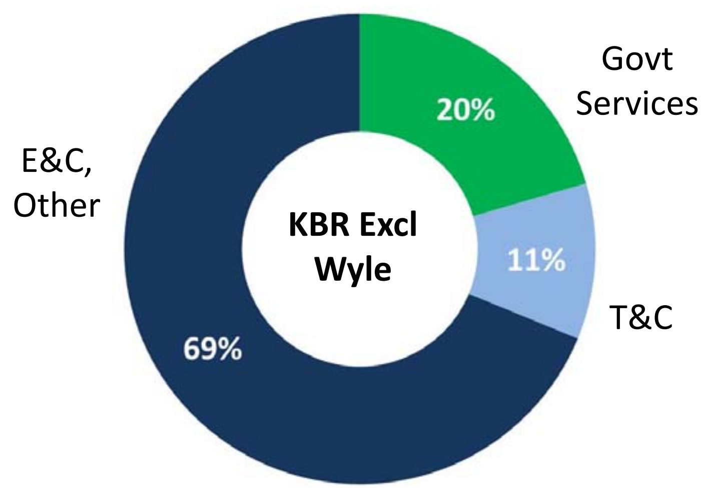
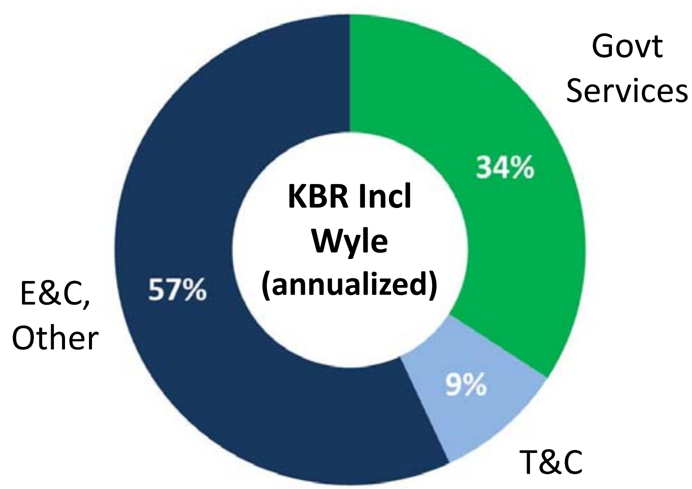
Share of 2016 Pro Forma Revenue





- Strategic acquisition in 3Q16 that provides higher value, lower risk, geographic diversity, and **long-term annuity type** revenue streams with very little overlap
- Creates a full service, global Government Services organization executing $2B worth of contracts annually in a growing market
- Adds **immediate earnings power**, provides access to **new funding sources** and **reduces overall KBR risk profile** (~ 97% reimbursable contracts)
- Strong cultural fit and a strong management team supportive of KBR acquisition
- Wyle's differentiated technical capabilities and KBR's well established international program management and logistics expertise open up new markets to the combined business – revenue synergy opportunities: **$250M by 2020**
- **Expected to be accretive in 2016**: $0.05 - $0.08 in EPS and $0.15 - $0.22 in EPS in 2017

Cash / Debt Position Post Wyle Transaction

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Cash Balance at June 30, 2016	**$804M**
Wyle Purchase Price (Cash Paid) on July 1, 2016*	$(200)M
Cash Balance Post-Wyle Transaction	**$604M**
Debt: Revolver Usage to Fund Wyle Purchase Price on July 1, 2016*	**$400M**

Permanent financing process underway and expected to be completed by year-end 2016

* Wyle purchase price excludes any transaction costs and other deal adjustments

Balanced Capital Allocation Strategy

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Invest in Ongoing Business & Organic Growth

- Focus on working capital
- Maintain revolver and strong LC/ bonding capacity
- Divested / exiting under-performing businesses

Pay Dividends

- Current dividend is $0.08/share
- Highest yielding dividend among peers
- Returned $309M to shareholders via dividends since 2007

Make Strategic Acquisitions

- Three-pronged approach to acquisitions:
    1. Key technologies
    2. Government services
    3. Global industrial services
- Strategic geographical expansion
- Focus on long-term earnings potential
- Continue balanced use of cash and debt for acquisitions

Buyback Shares

- $208M remaining under current $350M share repurchase program
- $795M in share repurchases completed since 2007
- Continue to make repurchase decisions on an opportunistic basis

KBR: Outlook for 2017

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- Higher proportion of earnings driven by Government Services and Technology & Consulting in 2017 moving towards greater balance between Hydrocarbons and Government Services markets
- Full-year impact of expected 2016 Army 2020 contract award
- In Hydrocarbons markets, focus on industrial services, debottlenecking and revamping existing LNG, ammonia and petrochemicals facilities, as well as ethylene opportunities
- Lower E&C contract margins offset by larger impact from cost reductions (full-year impact and fully implemented cost actions)
- Expanding capabilities and executing on growth plans in Middle East and Americas
- Plan to acquire additional earnings power with long-term and stable earnings streams via focused M&A: acquisitions in three key areas and strategic alliances / JVs

2016 Guidance

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- **Previous Guidance**: EPS range $1.20 - $1.45, excluding legacy legal fees (estimated at $15M or $0.11 EPS)

- **No change to previous guidance including Wyle:**
  - Wyle EPS range $0.05 - $0.08
  - Range includes acquisition and integration costs related to transaction ($1.4M in deal costs incurred in 2Q16; additional transaction costs and integration costs expected in 3Q16 / 4Q16)

Conclusion

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- Focused business strategy: Global Hydrocarbons & International Government Services company with strong synergies between businesses
- Differentiated offerings covering entire life cycle of projects via specialized consulting, proprietary technologies and strong global engineering expertise
- Gas-focused E&C with strong and growing long-term, annuity-type Government Services business
- Major progress on resolving legacy disputes with the U.S. Government. Sodium dichromate settlement resolves historic and future legal costs and confirms indemnity against plaintiff awards
- Lean cost structure
- Balanced capital allocation strategy and strong Balance Sheet provides optionality

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Appendix

Consolidated EBITDA Reconciliation: 2Q 2016

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	Quarter Ending	
($ in millions)	**Jun 30, 2016**	**Jun 30, 2015**
Net income attributable to KBR	**$ 47**	**$ 62**
Add Back:		
Interest income (expense)	$ 0	$ 2
Provision for income taxes	$ 23	$ 23
Depreciation & amortization	$ 10	$ 8
Consolidated EBITDA	$ 80	$ 95

Note: EBITDA is defined as earnings before interest income / expense, income taxes, depreciation and amortization