

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

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, 2019
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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which listed
Common Stock, \$0.001 par value	KBR	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

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) of 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 23, 2019 , there were 141,465,391 shares of KBR, Inc. Common Stock, par value \$0.001 per share, outstanding.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Information</u>	<u>7</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>7</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>8</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>9</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>10</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>12</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>50</u>
<u>Item 4. Controls and Procedures</u>	<u>51</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>52</u>
<u>Item 1A. Risk Factors</u>	<u>52</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>52</u>
<u>Item 6. Exhibits</u>	<u>53</u>
<u>SIGNATURES</u>	<u>54</u>

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 2018 Annual Report on Form 10-K contained in Part I under "Risk Factors" and the risk factors and other cautionary statements contained in our other filings with the SEC.

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:

Acronym	Definition
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
Carillion	Carillion plc
CAS	Cost Accounting Standards for U.S. government contracts
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
EBIC	Egypt Basic Industries Corporation
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPC	Engineering, procurement and construction
ES	Energy Solutions
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FAR	Federal Acquisition Regulation
FASB	Financial Accounting Standards Board
FCA	False Claims Act
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 Solutions
GTL	Gas to liquids
HETs	Heavy equipment transporters
IRS	Internal Revenue Service
JKC	JKC Australia LNG, an Australian joint venture executing the Ichthys LNG Project
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 for Record
MoD	Ministry of Defence
NCI	Noncontrolling interests
PFI	Private financed initiatives and projects
PIC	Paid-in capital
PLOC	Performance Letter of Credit facility
PPE	Property, Plant and Equipment

Acronym	Definition
PSC	Private Security Contractor
SAB	Staff Accounting Bulletin
SEC	U.S. Securities and Exchange Commission
SFO	U.K. Serious Fraud Office
SGA	Selling, General and Administrative
SGT	Stinger Ghaffarian Technologies
TS	Technology Solutions
U.K.	United Kingdom
U.S.	United States
U.S. GAAP	Accounting principles generally accepted in the United States
VAT	Value-added tax
VIEs	Variable interest entities

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,	
	2019	2018
Revenues	\$ 1,340	\$ 1,038
Cost of revenues	(1,187)	(923)
Gross profit	153	115
Equity in earnings of unconsolidated affiliates	—	23
Selling, general and administrative expenses	(78)	(69)
Acquisition and integration related costs	(1)	(3)
Gain on disposition of assets	4	—
Gain on consolidation of Aspire entities	—	115
Operating income	78	181
Interest expense	(25)	(6)
Other non-operating income (expense)	5	(2)
Income before income taxes and noncontrolling interests	58	173
Provision for income taxes	(16)	(34)
Net income	42	139
Net income attributable to noncontrolling interests	(2)	(1)
Net income attributable to KBR	\$ 40	\$ 138
Net income attributable to KBR per share:		
Basic	\$ 0.28	\$ 0.98
Diluted	\$ 0.28	\$ 0.97
Basic weighted average common shares outstanding	141	140
Diluted weighted average common shares outstanding	141	140
Cash dividends declared per share	\$ 0.08	\$ 0.08

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2019	2018
Net income	\$ 42	\$ 139
Other comprehensive income (loss), net of tax:		
<u>Foreign currency translation adjustments:</u>		
Foreign currency translation adjustments, net of tax	1	(2)
Reclassification adjustment included in net income	—	5
Foreign currency translation adjustments, net of taxes of \$0 and \$(1)	1	3
<u>Pension and post-retirement benefits, net of tax:</u>		
Reclassification adjustment included in net income	3	6
Pension and post-retirement benefits, net of taxes of \$(1) and \$(1)	3	6
<u>Changes in fair value of derivatives:</u>		
Changes in fair value of derivatives, net of tax	(3)	—
Reclassification adjustment included in net income	1	—
Changes in fair value of derivatives, net of taxes of \$0 and \$0	(2)	—
Other comprehensive income, net of tax	2	9
Comprehensive income	44	148
Less: Comprehensive income attributable to noncontrolling interests	(2)	(1)
Comprehensive income attributable to KBR	\$ 42	\$ 147

See accompanying notes to condensed consolidated financial statements.

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

	March 31, 2019	December 31, 2018
	(Unaudited)	
Assets		
Current assets:		
Cash and equivalents	\$ 708	\$ 739
Accounts receivable, net of allowance for doubtful accounts of \$14 and \$9	974	927
Contract assets	186	185
Other current assets	103	108
Total current assets	1,971	1,959
Claims and accounts receivable	99	98
Property, plant, and equipment, net of accumulated depreciation of \$367 and \$355 (including net PPE of \$33 and \$35 owned by a variable interest entity)	120	121
Operating lease right-of-use assets	180	—
Goodwill	1,265	1,265
Intangible assets, net of accumulated amortization of \$160 and \$151	512	516
Equity in and advances to unconsolidated affiliates	810	744
Deferred income taxes	214	222
Other assets	146	147
Total assets	\$ 5,317	\$ 5,072
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 580	\$ 546
Contract liabilities	472	463
Accrued salaries, wages and benefits	229	221
Nonrecourse project debt	10	10
Operating lease liabilities	40	—
Other current liabilities	174	179
Total current liabilities	1,505	1,419
Pension obligations	240	250
Employee compensation and benefits	98	109
Income tax payable	85	84
Deferred income taxes	28	27
Nonrecourse project debt	17	17
Long-term debt	1,223	1,226
Operating lease liabilities	207	—
Other liabilities	119	202
Total liabilities	3,522	3,334
KBR shareholders' equity:		
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, 178,000,412 and 177,383,302 shares issued, and 141,455,170 and 140,900,032 shares outstanding	—	—
Paid-in capital in excess of par ("PIC")	2,194	2,190
Retained earnings	1,308	1,258
Treasury stock, 36,545,242 shares and 36,483,270 shares, at cost	(818)	(817)
Accumulated other comprehensive loss ("AOCL")	(911)	(913)
Total KBR shareholders' equity	1,773	1,718
Noncontrolling interests	22	20
Total shareholders' equity	1,795	1,738
Total liabilities and shareholders' equity	\$ 5,317	\$ 5,072

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

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 42	\$ 139
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	25	13
Equity in earnings of unconsolidated affiliates	—	(23)
Deferred income tax expense	3	25
Gain on disposition of assets	(4)	—
Gain on consolidation of Aspire entities	—	(115)
Other	(4)	11
Changes in operating assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	(48)	(134)
Contract assets	(1)	(44)
Accounts payable	39	63
Contract liabilities	4	(32)
Accrued salaries, wages and benefits	9	2
Reserve for loss on uncompleted contracts	(1)	(3)
Payments from unconsolidated affiliates, net	1	1
Distributions of earnings from unconsolidated affiliates	7	1
Income taxes payable	12	12
Pension funding	(9)	(10)
Retainage payable	2	—
Subcontractor advances	(3)	(1)
Net settlement of derivative contracts	(3)	3
Other assets and liabilities	(23)	(38)
Total cash flows provided by (used in) operating activities	\$ 48	\$ (130)
Cash flows from investing activities:		
Purchases of property, plant and equipment	\$ (2)	\$ (9)
Investments in equity method joint ventures	(70)	(72)
Adjustments to cash due to consolidation of Aspire entities	—	205
Other	3	1
Total cash flows (used in) provided by investing activities	\$ (69)	\$ 125

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

	Three Months Ended March 31,	
	2019	2018
Cash flows from financing activities:		
Payments to reacquire common stock	\$ (3)	\$ (2)
Acquisition of remaining ownership interest in joint ventures	—	(6)
Payments of dividends to shareholders	(11)	(11)
Net proceeds from issuance of common stock	1	—
Borrowings on revolving credit agreements	—	70
Payments on long-term borrowings	(2)	—
Other	(2)	—
Total cash flows (used in) provided by financing activities	\$ (17)	\$ 51
Effect of exchange rate changes on cash	7	1
(Decrease) increase in cash and equivalents	(31)	47
Cash and equivalents at beginning of period	739	439
Cash and equivalents at end of period	\$ 708	\$ 486
Supplemental disclosure of cash flows information:		
Cash paid for interest	\$ 16	\$ 3
Cash paid for income taxes (net of refunds)	\$ 5	\$ 4
Noncash financing activities		
Dividends declared	\$ 11	\$ 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 research and development, feasibility and solutions development, specialized technical consulting, systems integration, engineering and design service, process technologies, program management, construction services, commissioning and startup services, highly specialized mission and logistics support solutions, and asset operations and maintenance services and other support services to a diverse customer base, including government and military organizations of the U.S., U.K. and Australia and a wide range of customers across the hydrocarbons value chain.

Our significant accounting policies are detailed in "Note 1 . Description of Company and Significant Accounting Policies" of our Annual Report on Form 10-K for the year ended December 31, 2018.

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.

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 10 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation in our condensed consolidated statements of operations. We have elected to classify certain indirect costs incurred as overhead (included in "Cost of revenues") or general administrative expenses for U.S. GAAP reporting purposes in the same manner as such costs are defined in our disclosure statements under U.S. Government Cost Accounting Standards ("CAS"). Effective January 1, 2019, we established a new CAS structure and revised our disclosure statements accordingly to reflect the related cost accounting practice changes. Consequently, \$34 million was reclassified from "Cost of revenues" to "Selling, general and administrative expenses" on our condensed consolidated statement of operations for the quarter ended March 31, 2018.

	Three Months Ended March 31, 2018	
	As Reported	As Previously Reported
<i>Dollars in millions</i>		
Statement of Operations		
Cost of revenues	\$ (923)	\$ (957)
Selling, general and administrative expenses	(69)	(35)

Business Reorganization

Effective January 1, 2019, we changed the name of our Government Services segment to "Government Solutions", our Technology segment to "Technology Solutions" and our Hydrocarbons Services segment to "Energy Solutions". The change did not have an impact on our reportable segments.

As of January 1, 2019, our segments consist of the following five reportable segments:

- Government Solutions
- Technology Solutions
- Energy Solutions
- Non-strategic Business
- Other

See Note 2 to our condensed consolidated financial statements for further discussion on our segments. We have presented our segment results reflecting these changes for all periods presented. In conjunction with the change in segments, we evaluated goodwill associated with each of our reporting units using Level 3 fair value inputs, and no impairment indicators were identified.

Impact of Adoption of New Accounting Standards

Leases

Effective January 1, 2019, we adopted ASU No. 2016-02, Leases (Topic 842) using the modified retrospective transition approach. The modified retrospective transition approach provides for an “effective date” method for recording leases that existed or were entered into on or after January 1, 2019, without restating prior-period information. Our unconsolidated joint ventures will adopt the new lease standard effective January 1, 2020.

ASC Topic 842 provided several optional practical expedients for use in transition. We elected to use the package of practical expedients which allowed us to not reassess our previous conclusions about lease identification, lease classification and the accounting treatment for initial direct costs. We did not elect the practical expedient pertaining to the use of hindsight.

The most significant effects of the new standard on our consolidated financial statements are the recognition of new operating lease right-of-use (“ROU”) assets and operating lease liabilities on our consolidated balance sheet for operating leases as well as significant new disclosures about our leasing activities as further discussed in Note 16. On January 1, 2019, we recorded “Operating lease right-of-use assets” and “Operating lease liabilities” of approximately \$253 million, respectively, based on the present value of the remaining lease payments over the lease term. Additionally, we reclassified current and noncurrent deferred rent of \$68 million associated with straight-line accounting and tenant incentives related to existing real estate leases against the initial “Operating lease right-of-use assets” as of January 2019. The adoption of the new standard did not have a material impact on our results of operations or cash flows.

As a result of the adoption, we recorded a cumulative-effect adjustment to retained earnings of \$21 million, net of deferred taxes of \$7 million, representing the unamortized portion of a deferred gain previously recorded in conjunction with the 2012 sale and leaseback of the office building in Houston, Texas where our corporate headquarters located. We concluded the transaction resulted in the transfer of control of the office building to the buyer-lessor at market terms and therefore would have qualified as a sale under ASC Topic 842 with gain recognition in the period in which the sale was recognized.

We recognized the cumulative effect of initially applying ASC Topic 842 as an adjustment to our assets and liabilities in our consolidated balance sheet as of January 1, 2019, as follows:

<i>Dollars in millions</i>	Balance at December 31, 2018	Adjustments Due to ASC 842	Balance at January 1, 2019
Assets			
Operating lease right-of-use asset	\$ —	\$ 185	\$ 185
Other current assets	108	(1)	107
Deferred income taxes	222	(7)	215
Liabilities			
Operating lease liabilities	—	40	40
Other current liabilities	179	(5)	174
Operating lease liabilities (noncurrent)	—	213	213
Other liabilities (noncurrent)	202	(92)	110
Shareholders' equity			
Retained Earnings	1,258	21	1,279

Derivatives and Hedging

Effective January 1, 2019, we adopted ASU No. 2017-12, Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedge Activities, using the modified retrospective approach. This ASU is intended to improve and simplify accounting rules related to hedge accounting. The adoption of this ASU did not have a material impact to 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, 2019, and December 31, 2018, are presented below:

<i>Dollars in millions</i>	March 31, 2019	December 31, 2018
Current maturities of long-term debt	\$ 27	\$ 22
Reserve for estimated losses on uncompleted contracts	5	6
Retainage payable	35	33
Income taxes payable	34	30
Taxes payable not based on income	5	6
Value-added tax payable	32	33
Insurance payable	1	2
Dividend payable	11	11
Other miscellaneous liabilities	24	36
Total other current liabilities	\$ 174	\$ 179

Other Liabilities

"Other liabilities" on our condensed consolidated balance sheet as of December 31, 2018 included deferred rent primarily related to real-estate leases as well as the unamortized portion of a deferred gain related to a 2012 sale-leaseback real-estate transaction totaling \$92 million as of March 31, 2019. See above under "Leases" for further discussion.

Note 2 . Business Segment Information

We are organized into three core business segments Government Solutions, Technology Solutions, and Energy Solutions and two non-core business segments. Our three core business segments provide full life cycle professional services, project solutions and technologies across two primary verticals, government and hydrocarbon. 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 selling, general and administrative expenses not allocated to the other business segments. Our business segments are described below:

Government Solutions. Our GS business segment provides full life-cycle support solutions to defense, space, aviation and other programs and missions for military and other 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 acquisitions as described in Note 4 to our condensed consolidated financial statements have been combined with our existing operations within this business segment.

Technology Solutions. Our TS business segment combines KBR's proprietary technologies, equipment and catalyst supply and associated knowledge-based services into a global business for refining, petrochemicals, inorganic and specialty chemicals as well as gasification, syngas, ammonia, nitric acid and fertilizers. From early planning through scope definition, advanced technologies and project life-cycle support, KBR's Technology Solutions segment works closely with customers to provide the optimal approach to maximize their return on investment.

Energy Solutions. Our ES 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); maintenance services; and consulting services.

Non-strategic Business. Our Non-strategic Business segment represents the operations or activities that we intend to exit upon completion of existing contracts. All Non-Strategic Business projects are substantially complete. We continue to finalize project close-out activities and negotiate the settlement of claims and various other matters associated with these projects.

Other. Our Other business segment includes corporate expenses and selling, general and administrative expenses not allocated to the business segments above.

The following table presents revenues, gross profit (loss), equity in earnings of unconsolidated affiliates, selling, general and administrative expenses, acquisition and integration related costs, gain on disposition of assets, gain of consolidation of Aspire entities, and operating income (loss) by reporting segment.

Operations by Reportable Segment

	Three Months Ended	
	March 31,	
	2019	2018
<i>Dollars in millions</i>		
Revenues:		
Government Solutions	\$ 975	\$ 677
Technology Solutions	92	62
Energy Solutions	272	299
Subtotal	1,339	1,038
Non-strategic Business	1	—
Total revenues	\$ 1,340	\$ 1,038
Gross profit (loss):		
Government Solutions	\$ 90	\$ 67
Technology Solutions	27	21
Energy Solutions	36	29
Subtotal	153	117
Non-strategic Business	—	(2)
Total gross profit	\$ 153	\$ 115

Equity in earnings of unconsolidated affiliates:		
Government Solutions	\$ 6	\$ 8
Energy Solutions	(6)	15
Subtotal	—	23
Non-strategic Business	—	—
Total equity in earnings of unconsolidated affiliates	\$ —	\$ 23
Selling, general and administrative expenses:		
Government Solutions	\$ (30)	\$ (21)
Technology Solutions	(7)	(6)
Energy Solutions	(16)	(21)
Other	(25)	(21)
Subtotal	(78)	(69)
Non-strategic Business	—	—
Total selling, general and administrative expenses	\$ (78)	\$ (69)
Acquisition and integration related costs:		
Government Solutions	\$ (1)	\$ (3)
Technology Solutions	—	—
Energy Solutions	—	—
Other	—	—
Subtotal	(1)	(3)
Non-strategic Business	—	—
Total acquisition and integration related costs	\$ (1)	\$ (3)
Gain on disposition of assets:		
Government Solutions	\$ 4	\$ —
Technology Solutions	—	—
Energy Solutions	—	—
Other	—	—
Subtotal	4	—
Non-strategic Business	—	—
Total gain on disposition of assets	\$ 4	\$ —
Gain on consolidation of Aspire entities:		
Government Solutions	\$ —	\$ 120
Technology Solutions	—	—
Energy Solutions	—	—
Other	—	(5)
Subtotal	—	115
Non-strategic Business	—	—
Total gain on consolidation of Aspire entities	\$ —	\$ 115
Segment operating income (loss):		
Government Solutions	\$ 70	\$ 172
Technology Solutions	20	15
Energy Solutions	14	23
Other	(26)	(27)
Subtotal	78	183
Non-strategic Business	—	(2)
Total segment operating income (loss)	\$ 78	\$ 181

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.

We recognized changes to equity earnings as a result of various changes to estimates on the Ichthys LNG project during the three months ended March 31, 2019 and 2018 . See Note 9 for a discussion of the matters impacting this project in our Energy Solutions business during the three months ended March 31, 2019 .

Note 3 . Revenue

We disaggregate our revenue from customers by type of service, geographic destination and contract type for each of our segments, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. See details in the tables below.

Revenue by Service/Product line and reportable segment was as follows:

	Three Months Ended March 31,	
	2019	2018
<i>Dollars in millions</i>		
By Service / Product Types		
Government Solutions		
Space and Mission Solutions	\$ 197	\$ 78
Engineering	291	252
Logistics	487	347
Total Government Solutions	975	677
Technology Solutions	92	62
Energy Solutions		
EPC Projects	79	120
Services and Consulting	193	179
Total Energy Solutions	272	299
Non-strategic business	1	—
Total net revenue	\$ 1,340	\$ 1,038

Government Solutions revenue earned from key U.S. government customers including U.S. DoD agencies and NASA was \$763 million and \$492 million for the three months ended March 31, 2019 and 2018 , respectively. Government Solutions revenue earned from non-U.S. government customers including the U.K. MoD, the Australian Defence Force and others was \$212 million and \$185 million for the three months ended March 31, 2019 and 2018 , respectively.

Revenue by geographic destination was as follows:

Total by Countries/Regions <i>Dollars in millions</i>	Three Months Ended March 31, 2019				
	Government Solutions	Technology Solutions	Energy Solutions	Non-strategic Business	Total
United States	\$ 521	\$ 5	\$ 101	\$ 1	\$ 628
Middle East	198	5	44	—	247
Europe	199	14	41	—	254
Australia	21	—	53	—	74
Canada	—	—	2	—	2
Africa	22	5	18	—	45
Asia	—	61	2	—	63
Other countries	14	2	11	—	27
Total net revenue	\$ 975	\$ 92	\$ 272	\$ 1	\$ 1,340

Three Months Ended March 31, 2018					
Total by Countries/Regions <i>Dollars in millions</i>	Government Solutions	Technology Solutions	Energy Solutions	Non-strategic Business	Total
United States	\$ 314	\$ 6	\$ 126	\$ —	\$ 446
Middle East	165	7	30	—	202
Europe	156	8	46	—	210
Australia	13	1	72	—	86
Canada	—	2	11	—	13
Africa	18	7	2	—	27
Asia	—	31	2	—	33
Other countries	11	—	10	—	21
Total net revenue	\$ 677	\$ 62	\$ 299	\$ —	\$ 1,038

Many of our contracts contain both fixed price and cost reimbursable components. We define contract type based on the component that represents the majority of the contract. Revenue by contract type was as follows:

Three Months Ended March 31, 2019					
<i>Dollars in millions</i>	Government Solutions	Technology Solutions	Energy Solutions	Non-strategic Business	Total
Fixed Price	\$ 272	\$ 91	\$ 37	\$ 1	\$ 401
Cost Reimbursable	703	1	235	—	939
Total net revenue	\$ 975	\$ 92	\$ 272	\$ 1	\$ 1,340

Three Months Ended March 31, 2018					
<i>Dollars in millions</i>	Government Solutions	Technology Solutions	Energy Solutions	Non-strategic Business	Total
Fixed Price	\$ 218	\$ 59	\$ 56	\$ —	\$ 333
Cost Reimbursable	459	3	243	—	705
Total net revenue	\$ 677	\$ 62	\$ 299	\$ —	\$ 1,038

We recognized revenue of \$8 million and \$1 million from performance obligations satisfied in previous periods for the three months ended March 31, 2019 and 2018, respectively.

On March 31, 2019, we had \$9.8 billion of transaction price allocated to remaining performance obligations. We expect to recognize approximately 33% of our remaining performance obligations as revenue within one year, 30% in years two through five, and 38% thereafter. Revenue associated with our remaining performance obligations to be recognized beyond one year includes performance obligations related to Aspire Defence and Fasttrax projects, which have contract terms extending through 2041 and 2023, respectively. The balance of remaining performance obligations does not include variable consideration that was determined to be constrained as of March 31, 2019.

We adopted ASC Topic 606 *Revenue from Contracts with Customers* on January 1, 2018. In connection with the consolidation of the Aspire Defence subcontracting entities in the first quarter of 2018 as further discussed in Note 4, we elected to adopt ASC 606 for each of the remaining unconsolidated Aspire Defence contracting entities effective January 1, 2018. We have availed the SEC exemption under ASU 2017-13 to defer the application of ASC 606 to our remaining unconsolidated joint venture until the fourth quarter of 2019.

Note 4 . Acquisitions, Dispositions and Other Transactions

Stinger Ghaffarian Technologies Acquisition

On April 25, 2018, we acquired 100% of the outstanding stock of SGT. SGT is a leading provider of high-value engineering, mission operations, scientific and IT software solutions in the government services market. We accounted for this transaction using the acquisition method under ASC 805, *Business Combinations* . The acquisition is reported within our GS business segment. Aggregate base consideration for the acquisition was \$355 million , plus \$10 million of working capital and other purchase price adjustments set forth in the purchase agreement. We recognized goodwill of \$257 million arising from the acquisition.

We recognized direct, incremental costs related to this acquisition of \$1 million and \$2 million during the three months ended March 31, 2019 and 2018 , respectively, which are included in "Acquisition and integration related costs" on the condensed consolidated statements of operations.

The acquired SGT business contributed \$115 million of revenues and \$9 million of gross profit for the three months period ended March 31, 2019 , within our GS business segment.

Consolidation of Aspire Defence Subcontracting Entities

On January 15, 2018, Carillion, our U.K. partner in the joint ventures that provide the construction and related support services to Aspire Defence Limited, entered into compulsory liquidation and ceased performing services for the project. In accordance with the commercial arrangements of the project company and its lenders, Carillion was excluded from future business and benefit from its interest in the project and we assumed operational management and control of the subcontracting entities.

As a result of Carillion's compulsory liquidation, KBR was deemed the primary beneficiary as it has the power to direct activities having the most significant impact on the economic performance of the subcontracting entities. Consequently, KBR began consolidating these entities in its financial statements effective January 15, 2018. We accounted for these transactions under the acquisition method of accounting for business combinations in accordance ASC 805 and recognized goodwill of approximately \$42 million .

On April 18, 2018, we completed the acquisition of Carillion's interests in the subcontracting entities for \$50 million pursuant to a share and business purchase agreement and approval by Aspire Defence Limited, the Aspire Defence Limited project lenders and the MoD. We accounted for the change in KBR's interest as an equity transaction. The difference between the noncontrolling interests of \$119 million in the subcontracting entities at the date of acquisition and the cash consideration paid to Carillion was recognized as a net increase to "PIC" of \$69 million . We incurred acquisition-related costs of \$1 million for the three months ended March 31, 2018 , which were recorded in "Acquisition and integration related costs" on our condensed consolidated statements of operations. No acquisition-related costs were recorded for the three months ended March 31, 2019 .

The results of operations of the subcontracting entities have been included in our condensed consolidated statements of operations for periods subsequent to assuming control on January 15, 2018. The acquired subcontracting entities contributed \$133 million and \$105 million of revenues and \$12 million and \$13 million of gross profit for the three months period ended March 31, 2019 and 2018 , respectively, within our GS business segment.

The following supplemental pro forma condensed consolidated results of operations assume that SGT and the Aspire Defence subcontracting entities had been acquired as of January 1, 2017. The supplemental pro forma information was prepared based on the historical financial information of SGT and the Aspire Defence subcontracting entities and has been adjusted to give effect to pro forma adjustments that are both directly attributable to the transaction and factually supportable. Pro forma adjustments were primarily related to the amortization of intangibles, interest on borrowings related to the acquisitions, and the reclassification of the gain on consolidation of the Aspire entities to January 1, 2017. 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, 2017, nor is it indication of future results of operations.

	Three Months Ended March 31,	
<i>Dollars in millions</i>	2018	
Revenue	\$	1,161
Net income attributable to KBR		44
Diluted earnings per share	\$	0.31

Note 5 . 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 and the Aspire project cash balances are limited to specific project 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 entities. We expect to use this cash for project costs and distributions of earnings. 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:

	March 31, 2019		
<i>Dollars in millions</i>	International (a)	Domestic (b)	Total
Operating cash and equivalents	\$ 140	\$ 105	\$ 245
Short-term investments (c)	62	47	109
Cash and equivalents held in consolidated joint ventures and Aspire Defence subcontracting entities	350	4	354
Total	\$ 552	\$ 156	\$ 708

	December 31, 2018		
<i>Dollars in millions</i>	International (a)	Domestic (b)	Total
Operating cash and equivalents	\$ 123	\$ 104	\$ 227
Short-term investments (c)	87	107	194
Cash and equivalents held in consolidated joint ventures and Aspire Defence subcontracting entities	315	3	318
Total	\$ 525	\$ 214	\$ 739

(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 6 . 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, 2019		
	Unbilled	Trade & Other	Total
Government Solutions	\$ 318	\$ 332	\$ 650
Technology Solutions	22	51	73
Energy Solutions	84	167	251
Subtotal	424	550	974
Non-strategic Business	—	—	—
Total	\$ 424	\$ 550	\$ 974

<i>Dollars in millions</i>	December 31, 2018		
	Unbilled	Trade & Other	Total
Government Solutions	\$ 266	\$ 334	\$ 600
Technology Solutions	11	62	73
Energy Solutions	69	185	254
Subtotal	346	581	927
Non-strategic Business	—	—	—
Total	\$ 346	\$ 581	\$ 927

Note 7 . Contract Assets and Contract Liabilities

Our contract assets by business segment are as follows:

<i>Dollars in millions</i>	March 31, 2019	December 31, 2018
Government Solutions	\$ 114	\$ 123
Technology Solutions	26	19
Energy Solutions	46	43
Subtotal	186	185
Non-strategic Business	—	—
Total	\$ 186	\$ 185

Our contract liabilities by business segment are as follows:

<i>Dollars in millions</i>	March 31, 2019	December 31, 2018
Government Solutions	\$ 280	\$ 261
Technology Solutions	93	98
Energy Solutions	95	100
Subtotal	468	459
Non-strategic Business	4	4
Total	\$ 472	\$ 463

Revenue recognized for the three months ended March 31, 2019 , that was included in the contract liability balance at December 31, 2018 , was \$84 million

Note 8 . Claims and Accounts Receivable

Our claims and accounts receivable balance not expected to be collected within the next 12 months was \$99 million and \$98 million as of March 31, 2019 , and December 31, 2018 , 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 cost reimbursable 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 \$73 million as of March 31, 2019 , and December 31, 2018 , related to Form 1s issued by the U.S. government questioning or objecting to costs billed to them. See Note 14 of our condensed consolidated financial statements for additional information. The amount also includes \$26 million and \$25 million as of March 31, 2019 , and December 31, 2018 , respectively, related to contracts where our reimbursable 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 the remaining 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 9 . Unapproved Change Orders, and Claims, Against Clients and Estimated Recoveries of Claims Against Suppliers and Subcontractors

The amounts of unapproved change orders, and claims against clients and estimated recoveries of claims against suppliers and subcontractors included in determining the profit or loss on contracts are as follows:

<i>Dollars in millions</i>	2019	2018
Amounts included in project estimates-at-completion at January 1,	\$ 973	\$ 924
Increase (decrease), including foreign currency effect	16	(17)
Amounts included in project estimates-at-completion at March 31,	\$ 989	\$ 907
Amounts recognized over time based on progress at March 31,	\$ 965	\$ 843

As of March 31, 2019 , the predominant component of the change orders, customer claims and estimated recoveries of claims against suppliers and subcontractors above relates to our 30% proportionate share of unapproved change orders and claims associated with the Ichthys LNG Project discussed below.

KBR intends to vigorously pursue approval and collection of amounts still due under all unapproved change orders and claims, against the clients and recoveries from subcontractors. Further, there are additional claims that KBR believes it is entitled to recover from its client and from subcontractors but which have been excluded from estimated revenues and profits at completion as appropriate under U.S. GAAP. These commercial matters may not be resolved in the near term. Our current estimates for the above unapproved change orders, client claims and estimated recoveries of claims against suppliers and subcontractors may prove inaccurate and any material change could have a material adverse effect on our results of operations, financial position and cash flows.

Ichthys LNG Project

Project Status

We have a 30% ownership interest in the JKC joint venture, which has contracted to perform the engineering, procurement, supply, construction and commissioning of onshore LNG facilities for a client in Darwin, Australia (the "Ichthys LNG Project"). The contract between JKC and its client is a hybrid contract containing both cost-reimbursable and fixed-price (including unit-rate) scopes.

The construction and commissioning of the Ichthys LNG Project is substantially complete and the plant is producing LNG. All of the components of the plant, except for the combined cycle power plant ("Power Plant"), have been completed and handed over to the client. The Power Plant includes five gas turbine generators which are complete and handed over to the client, and three steam turbine generators (the "STGs") which are currently forecasted to be completed in 2019. We expect commissioning and hand-over of the STGs to be completed by mid-2019.

Unapproved Change Orders and Claims Against Client

Under the cost-reimbursable scope of the contract with the client, JKC has entered into commercial contracts with multiple suppliers and subcontractors to execute various scopes of work on the project. Certain of these suppliers and subcontractors have made contract claims against JKC for recovery of costs and extensions of time in order to progress the works under the scope of

their respective contracts due to a variety of issues related to alleged changes to the scope of work, delays and lower than planned subcontractor productivity. In addition, JKC has incurred costs related to scope increases and other factors, and has made claims to its client for matters for which JKC believes it is entitled to reimbursement under the contract.

JKC believes any amounts paid or payable to the suppliers and subcontractors in settlement of their contract claims related to the cost-reimbursable scope are an adjustment to the contract price, and accordingly JKC has made claims for contract price adjustments under the cost-reimbursable scope of the contract between JKC and its client. However, the client disputed some of these contract price adjustments and subsequently withheld certain payments. In order to facilitate the continuation of work under the contract while we worked to resolve this dispute, the client agreed to a contractual mechanism ("Funding Deed") in 2016 providing funding in the form of an interim contract price adjustment to JKC and consented to settlement of subcontractor claims as of that date related to the cost-reimbursable scope. While the client has reserved its contractual rights under this funding mechanism, settlement funds (representing the interim contract price adjustment) have been paid by the client. JKC in turn settled these subcontractor claims which have been funded through the Funding Deed by the client.

If JKC's claims against its client which were funded under the Funding Deed remain unresolved by December 31, 2020, JKC will be required to refund sums funded by the client under the terms of the Funding Deed. We, along with our joint venture partners, are jointly and severally liable to the client for any amounts required to be refunded.

Our proportionate share of the total amount of the contract price adjustments under the Funding Deed included in the unapproved change orders and claims related to our unconsolidated affiliates discussed above is \$161 million and \$159 million as of March 31, 2019, and December 31, 2018, respectively. The difference in these values is due to exchange rate fluctuations.

In September and October 2017, additional settlements pertaining to suppliers and subcontractors under the cost-reimbursable scope of the contract were presented to the client. The client consented to these settlements and paid for them but reserved its contractual rights. In reliance, JKC in turn settled these claims with the associated suppliers and subcontractors. The formal contract price adjustments for these settlements remained pending at March 31, 2019. However, unlike amounts funded under the Funding Deed, there is no requirement to refund these amounts to the client by a certain date.

In October 2018, JKC received a favorable ruling from an arbitration tribunal. The ruling determined a contract interpretation in JKC's favor, to the effect that delay and disruption costs payable to subcontractors under the cost-reimbursable scope of the EPC contract are for the client's account and are reimbursable to JKC. JKC contends this ruling resolves the reimbursability of the subcontractor settlement sums under the Funding Deed and additional settlements made in September and October 2017. Pursuant to this decision, JKC is undertaking steps for a formal contract adjustment to the cost-reimbursable scope of the contract for these settlement claims which are included in the recognized unapproved change orders as of March 31, 2019. However, our view is that the arbitration ruling resolves our obligations under the Funding Deeds and settlements with reimbursable subcontractors. Our client does not agree with the impact of the arbitration award and, accordingly, we have initiated a new proceeding to obtain further determination from the arbitration tribunal.

There has been deterioration of paint and insulation on certain exterior areas of the plant. The client previously requested and funded, paint remediation for a portion of the facilities. JKC's profit estimate at completion includes a portion of revenues and costs for these remediation activities. Revenue for the client-funded amounts are reflected in the table above. In the first quarter of 2019, the client demanded repayment of the amounts previously funded to JKC. JKC is disputing the client's demand. The client has also requested a proposal to remediate any remaining non-conforming paint and insulation, but JKC and its client have not resolved the nature and extent of the non-conformances, the method and degree of remediation that was and is required, or who is responsible. We believe the remaining remediation costs could be material given the plant is now operating and there will be several operating constraints on any such works.

In addition, JKC has started proceedings against the paint manufacturer and initiated claims against the subcontractors. JKC has also made demands on insurance policies in respect of these matters. In the first quarter of 2019, we received an unfavorable ruling in arbitration with one of the subcontractors resulting in a decrease in estimated recoveries. Proceedings and claims against the paint manufacturer, remaining subcontractors and insurance policies are ongoing.

Combined Cycle Power Plant

Pursuant to JKC's fixed-price scope of its contract with its client, JKC awarded a fixed-price EPC contract to a subcontractor for the design, construction and commissioning of a combined cycle power plant. The subcontractor was a consortium consisting of General Electric and GE Electrical International Inc. and a joint venture between UGL Infrastructure Pty Limited and CH2M Hill (collectively, the "Consortium"). On January 25, 2017, JKC received a Notice of Termination from the Consortium, and the Consortium ceased work on the Power Plant and abandoned the construction site. JKC believes the Consortium materially breached its subcontract and repudiated its obligation to complete the Power Plant, plus undertook actions making it more difficult and more costly for the works to be completed by others after the Consortium abandoned the site. Subsequently, the Consortium filed a request for arbitration with the ICC asserting that JKC repudiated the contract. The Consortium also sought an order that the Consortium validly terminated the subcontract. JKC has responded to this request, denying JKC committed any breach of its subcontract with the Consortium and restated its claim that the Consortium breached and repudiated its subcontract with JKC and is furthermore liable to JKC for all costs to complete the Power Plant.

In March 2017, JKC prevailed in a legal action against the Consortium requiring the return of materials, drawings and tools following their unauthorized removal from the site by the Consortium. After taking over the work, JKC discovered incomplete and defective engineering designs, defective workmanship on the site, missing, underreported and defective materials; and the improper termination of key vendors/suppliers. JKC's investigations also indicate that progress of the work claimed by the Consortium was over-reported. JKC has evaluated the cost to complete the Consortium's work, which significantly exceeds the awarded fixed-price subcontract value. JKC's cost to complete the Power Plant includes re-design efforts, additional materials and significant re-work. These costs represent estimated recoveries of claims against the Consortium and have been included in JKC's estimate to complete the Consortium's remaining obligations.

JKC is pursuing recourse against the Consortium to recover all of the costs to complete the Power Plant, plus the additional interest, and/or general damages by all means inclusive of calling bank guarantees provided by the Consortium partners. In April 2018, JKC prevailed in a legal action to call bank guarantees (bonds) and received funds totaling \$52 million. Each of the Consortium partners has joint and several liability with respect to all obligations under the subcontract. JKC intends to pursue recovery of all additional amounts due from the Consortium via various legal remedies available to JKC.

Estimated costs to complete the Power Plant that have been determined to be probable of recovery from the Consortium under U.S. GAAP have been included as a reduction of cost in our estimate of profit at completion. The estimated recoveries exclude interest, liquidated damages and other related costs which JKC intends to pursue recovery from the Consortium.

As of March 31, 2019, JKC claims against the Consortium were approximately \$1.9 billion for recovery of JKC's costs. The arbitration is set for hearing in the first half of 2020. JKC has also recently initiated suit against the parent companies of the Consortium members to seek a declaration that the parents either had to perform and finish the work or pay for the completion of the power plant based on their payment and performance guarantees. A hearing on JKC's suit against the parent companies occurred in March 2019. We await a decision from the court.

To the extent JKC is unsuccessful in prevailing in the Arbitration or the Consortium members are unable to satisfy their financial obligations in the event of a decision favorable to JKC, we would be responsible for our pro-rata portion of unrecovered costs from the Consortium. This could have a material adverse impact on the profit at completion of the overall contract and thus on our consolidated statements of operations, financial position and planned cash flows. Additionally, to the extent JKC does not resolve this matter with the Consortium in the near term, the joint venture partners have been and will continue to be required to fund JKC's completion of the combined cycle power plant which could have a material adverse effect on our financial position and cash flows.

Ichthys Project Funding

As a result of the ongoing disputes with the client and pursuit of recoveries against the Consortium through arbitration, we have funded and continue to fund our proportionate share of the working capital requirements of JKC to complete the project. During the year ended December 31, 2018, we made investment contributions to JKC of approximately \$344 million to fund the ongoing project execution activities. During the three months ended March 31, 2019, we made additional investment contributions to JKC of approximately \$69 million to fund the ongoing project execution activities. Our projection of total investment contributions to complete the project is approximately \$500 million, thus leaving approximately \$87 million to fund later in 2019.

If our estimates to complete the project increase, or if we experience unfavorable outcomes associated with the various legal and commercial disputes, our projection of total investment contributions could increase which could have a material adverse effect on our financial position and cash flows. Further, if our partner(s) in JKC do not fulfill their responsibilities under the JKC

JV agreement or subcontract, we could be exposed to additional funding requirements as a result of the nature of the JKC JV agreement.

As of March 31, 2019, we had \$164 million in letters of credit outstanding in support of performance and warranty guarantees provided to the client. The performance letter of credit expires upon provisional acceptance of the facility by the client and the warranty letter of credit expires upon the end of the warranty obligation.

Other Matters

JKC is entitled to an amount of profit and overhead ("TRC Fee") which is a fixed percentage of the target reimbursable costs ("TRC") under the reimbursable component of the contract which was to be agreed by JKC and its client. At the time of the contract, JKC and its client agreed to postpone the fixing of the TRC until after a specific milestone in the project had been achieved. Although the milestone was achieved, JKC and its client have been unable to reach agreement on the TRC. This matter was taken to arbitration in 2017. A decision was issued in December 2017 concluding that the TRC should be determined on the basis of information available at April 2014. JKC has included an estimate for the TRC Fee in its determination of profit at completion at March 31, 2019, based on the contract provisions and the decision from the December 2017 arbitration. JKC has submitted the revised estimate of the TRC Fee to the client. The parties have not agreed to the revised estimate, and JKC has started an additional arbitration on this dispute.

All of the Ichthys LNG project commercial matters are complex and involve multiple interests, including the client, suppliers and other third parties. Ultimate resolution may not occur in the near term. Our current estimates for resolving these matters may prove inaccurate and, if so, any material change could have a material adverse effect on our results of operations, financial position and cash flows.

See Note 10 to our condensed consolidated financial statements for further discussion regarding our equity method investment in JKC.

Note 10 . 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:

	Three Months Ended March 31,	Year Ended December 31,
<i>Dollars in millions</i>	2019	2018
Beginning balance at January 1,	\$ 744	\$ 387
Cumulative effect of change in accounting policy (a)	—	87
Adjusted balance at January 1,	744	474
Equity in earnings of unconsolidated affiliates	—	81
Distributions of earnings of unconsolidated affiliates	(7)	(75)
Payments from (advances to) unconsolidated affiliates, net	(1)	(12)
Investments (b)	70	344
Foreign currency translation adjustments	4	(33)
Other	—	(35)
Ending balance	\$ 810	\$ 744

(a) Deferred construction income in the amount of \$87 million previously recorded in "Equity in and advance to unconsolidated affiliates" was reversed and included in the cumulative effect adjustment as a result of the adoption of ASC 606 by the Aspire Defence project joint ventures.

(b) For the three months ended March 31, 2019, investments include a \$69 million investment to fund JKC. In 2018, the total amount of investments were made to fund JKC.

Unconsolidated Variable Interest Entities

For the VIEs in which we participate, our maximum exposure to loss consists of our equity investment in the VIE and any amounts owed to us for services we may have provided to the VIE, reduced by any unearned revenues on the project. Our maximum exposure to loss may also include our obligation to fund our proportionate share of any future losses incurred. As of March 31, 2019, we do not project any losses related to these joint venture projects. Where our performance and financial obligations are joint and several to the client with our joint venture partners, we may be further exposed to losses above our ownership interest in the joint venture.

The following summarizes the total assets and total liabilities as reflected in our condensed consolidated balance sheets related to our unconsolidated VIEs in which we have a significant variable interest but are not the primary beneficiary.

<u>Dollars in millions</u>	March 31, 2019	
	Total Assets	Total Liabilities
Affinity joint venture (U.K. MFTS project)	\$ 16	\$ 8
Aspire Defence Limited	\$ 74	\$ 5
JKC joint venture (Ichthys LNG project)	\$ 511	\$ 28
U.K. Road project joint ventures	\$ 39	\$ 10
Middle East Petroleum Corporation (EBIC Ammonia project)	\$ 52	\$ 1

<u>Dollars in millions</u>	December 31, 2018	
	Total Assets	Total Liabilities
Affinity joint venture (U.K. MFTS project)	\$ 15	\$ 8
Aspire Defence Limited	\$ 80	\$ 5
JKC joint venture (Ichthys LNG project)	\$ 376	\$ 32
U.K. Road project joint ventures	\$ 37	\$ 10
Middle East Petroleum Corporation (EBIC Ammonia project)	\$ 42	\$ 1

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, 2019 and 2018, our revenues included \$175 million and \$162 million, respectively, related to the services we provided to our unconsolidated joint ventures, primarily the Aspire Defence Limited joint venture within our GS business segment and the JKC joint venture within our ES business segment.

Amounts included in our condensed consolidated balance sheets related to services we provided to our unconsolidated joint ventures as of March 31, 2019, and December 31, 2018 are as follows:

<u>Dollars in millions</u>	March 31,	December 31,
	2019	2018
Accounts receivable, net of allowance for doubtful accounts	\$ 36	\$ 43
Contract assets (a)	\$ 3	\$ 1
Contract liabilities (a)	\$ 35	\$ 38
Accounts payable	\$ 13	\$ 2

(a) Reflects contract assets and contract liabilities primarily related to joint ventures within our ES business segment.

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:

<u>Dollars in millions</u>	March 31, 2019	
	Total Assets	Total Liabilities
KJV-G joint venture (Gorgon LNG project)	\$ 13	\$ 19
Fastrax Limited (Fastrax project)	\$ 52	\$ 35
Aspire Defence subcontracting entities (Aspire Defence project)	\$ 596	\$ 330

<u>Dollars in millions</u>	December 31, 2018	
	Total Assets	Total Liabilities
KJV-G joint venture (Gorgon LNG project)	\$ 13	\$ 19
Fastrax Limited (Fastrax project)	\$ 49	\$ 34
Aspire Defence subcontracting entities (Aspire Defence project)	\$ 589	\$ 324

Note 11 . Pension Plans

The components of net periodic benefit cost related to pension benefits for the three months ended March 31, 2019 and 2018 were as follows:

<u>Dollars in millions</u>	Three Months Ended March 31,			
	2019		2018	
	United States	Int'l	United States	Int'l
Components of net periodic benefit cost				
Interest cost	\$ 1	\$ 13	\$ 1	\$ 13
Expected return on plan assets	(1)	(20)	(1)	(21)
Recognized actuarial loss	—	4	—	7
Net periodic benefit cost	\$ —	\$ (3)	\$ —	\$ (1)

For the three months ended March 31, 2019 , we have contributed approximately \$9 million of the \$39 million we expect to contribute to our plans in 2019 .

Note 12 . Debt and Other Credit Facilities

Our outstanding debt consisted of the following at the dates indicated:

<i>Dollars in millions</i>	March 31, 2019	December 31, 2018
Term Loan A	\$ 190	\$ 190
Term Loan B	794	796
Convertible Notes	350	350
Unamortized debt issuance costs - Term Loan A	(5)	(5)
Unamortized debt issuance costs and discount - Term Loan B	(17)	(18)
Unamortized debt issuance costs and discount - Convertible Notes	(62)	(65)
Total long-term debt	1,250	1,248
Less: current portion	27	22
Total long-term debt, net of current portion	\$ 1,223	\$ 1,226

Senior Credit Facility

The senior secured credit facility ("Senior Credit Facility") consists of a \$500 million revolving credit facility ("Revolver"), a \$500 million performance letter of credit facility ("PLOC"), a \$350 million Delayed Draw Term Loan A, ("Term Loan A") and an \$800 million Term Loan B ("Term Loan B"). The Revolver, PLOC and Term Loan A mature in April 2023 and the Term Loan B matures in April 2025. The Term Loan A may be drawn upon until the earlier of becoming fully drawn or June 30, 2019 (the "Availability Period"). Borrowings under the Term Loan A may only be used to fund investment contributions in JKC. See Note 9 to our condensed consolidated financial statements for a discussion on JKC.

The interest rates with respect to the Revolver and Term Loan A are based on, at the Company's option, adjusted LIBOR plus an additional margin or base rate plus additional margin. The interest rate with respect to the Term Loan B is LIBOR plus 3.75% . The Senior Credit Facility provides for fees on letters of credit issued under the PLOC at varying rates, as shown below. Additionally, there is a commitment fee with respect to the Revolver, PLOC and Term Loan A. The details of the applicable margins and commitment fees are based on the Company's consolidated leverage ratio as follows:

Consolidated Leverage Ratio	Revolver and Term Loan A		Performance Letter of	
	LIBOR Margin	Base Rate Margin	Credit Fee	Commitment Fee
Greater than or equal to 4.00 to 1.00	3.25%	2.25%	1.95%	0.450%
Less than 4.00 to 1.00 but greater than or equal to 3.00 to 1.00	3.00%	2.00%	1.80%	0.400%
Less than 3.00 to 1.00 but greater than or equal to 2.00 to 1.00	2.75%	1.75%	1.65%	0.375%
Less than 2.00 to 1.00	2.50%	1.50%	1.50%	0.350%

The Term Loan A provides for quarterly principal payments of 2.50% of the aggregate principal amount commencing with the fiscal quarter ending June 30, 2019. The Term Loan B provides for quarterly principal payments of 0.25% of the initial aggregate principal amounts commencing with the fiscal quarter ending September 30, 2018.

The Senior Credit Facility contains financial maintenance covenants of a maximum consolidated leverage ratio and a consolidated interest coverage ratio (as such terms are defined in the Senior Credit Facility). Our consolidated leverage ratio as of the last day of any fiscal quarter, commencing with the fiscal quarter ending June 30, 2018, may not exceed 4.50 to 1 and reducing gradually during 2019 and 2020 to 3.50 to 1. Our consolidated interest coverage ratio as of the last day of any fiscal quarter, commencing with the fiscal quarter ending June 30, 2018 and thereafter, may not be less than 3.00 to 1. As of March 31, 2019 , we were in compliance with our financial covenants.

Convertible Senior Notes

Convertible Senior Notes - On November 15, 2018, we issued and sold \$350 million of 2.50% Convertible Senior Notes due 2023 (the "Convertible Notes") pursuant to an indenture (the "Indenture") between us and Citibank, N.A., as trustee (the "Trustee"). The Convertible Notes bear interest at 2.50% per year and interest is payable on May 1 and November 1 of each year, beginning on May 1, 2019. The Convertible Notes mature on November 1, 2023 and may not be redeemed by us prior to maturity. The effective interest rate on the liability component for the period is 6.50%. The amount of interest cost recognized for the three months ended March 31, 2019, relating to the contractual interest coupon and amortization of the discount on the liability was \$2.2 million and \$2.6 million, respectively.

The Convertible Notes are convertible into cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. It is our current intent and policy to settle the principal balance of the Convertible Notes in cash and any excess value upon conversion in shares of our common stock. The initial conversion price of the Convertible Notes is approximately \$25.51 (subject to adjustment in certain circumstances), based on the initial conversion rate of 39.20 Common Shares per \$1,000 principal amount of Convertible Notes. Prior to May 1, 2023, the Convertible Notes will be convertible only upon the occurrence of certain events and during certain periods, and thereafter, until the close of business on the second scheduled trading day immediately preceding the maturity date. The Convertible Notes are senior unsecured obligations.

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 \$1 billion in a committed line of credit under our Senior Credit Facility, comprised of the \$500 million Revolver and \$500 million PLOC. Additionally, we have approximately \$324 million of uncommitted lines of credit to support the issuance of letters of credit. Surety bonds are also posted under the terms of certain contracts to guarantee our performance. As of March 31, 2019, with respect to our \$500 million Revolver, we have no outstanding revolver borrowings and have issued \$26 million of letters of credit, with \$474 million of remaining capacity. With respect to our PLOC, we have \$93 million of outstanding letters of credit and \$407 million of remaining capacity. With respect to our \$324 million of uncommitted lines of credit, we have utilized \$222 million for letters of credit as of March 31, 2019, with \$102 million of remaining capacity. The total remaining capacity of these committed and uncommitted lines of credit is approximately \$983 million. Of the letters of credit outstanding under our Senior Credit Facility, none have expiry dates beyond the maturity date of the Senior Credit Facility. Of the total letters of credit outstanding, \$172 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.

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. 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 £88.9 million. 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 was replaced when 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 and Class B 5.9% Fixed Rate Bonds in the amount of £20.7 million. Semi-annual payments on both classes of bonds will continue through maturity in 2021. The subordinated notes payable to each of the partners initially bear interest at 11.25% increasing to 16.00% over the term of the notes until maturity in 2025. For financial reporting purposes, only our partner's portion of the subordinated notes appears in the condensed consolidated financial statements.

Note 13 . Income Taxes

The effective tax rate was approximately 27% and 20% for the three months ended March 31, 2019 and 2018, respectively. The effective tax rate for the three months ended March 31, 2019, as compared to the U.S. statutory rate of 21%, was primarily impacted by the rate differential on our foreign earnings including equity losses for which no tax benefit is available. The three months ending March 31, 2018, was impacted by discrete tax expense as a result of obtaining control of the Aspire Defence project subcontracting joint ventures, which was recorded at a lower rate than our estimated annual tax rate for 2018.

Our estimated annual effective rate for 2019 is 26% excluding the effects of discrete items. Our estimated annual effective rate is subject to change based on the actual jurisdictions where our 2019 earnings are generated.

The valuation allowance for deferred tax assets as of March 31, 2019, and December 31, 2018, was \$204 million and \$207 million, respectively. The change in the valuation allowance was a decrease of \$3 million and decrease of \$1 million for the three months ended March 31, 2019 and 2018, respectively. The valuation allowance is primarily related to foreign tax credit carryforwards and foreign and state net operating loss carryforwards that, in the judgment of management, are not more likely than not to be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income, in the appropriate character and source, during the periods in which those temporary differences become deductible or within the remaining carryforward period. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income and tax-planning strategies in making this assessment.

The provision for uncertain tax positions included in "Other liabilities" and "Deferred income taxes" on our condensed consolidated balance sheets as of March 31, 2019, and December 31, 2018, was \$90 million.

Note 14 . U.S. Government Matters

We provide services to various U.S. governmental agencies, including the U.S. DoD, NASA, 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 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 2019. 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.

Form 1s

The U.S. government has issued Form 1s questioning or objecting to costs we billed to them under cost reimbursable contracts primarily related to our use of private security and our provision of containerized housing under the LogCAP III contract discussed below. 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.

The U.S. government has issued and has outstanding Form 1s questioning \$134 million of billed costs as of March 31, 2019. They had previously paid us \$61 million of the questioned costs related to our services on these contracts. The remaining balance of \$73 million as of March 31, 2019, is included on our condensed balance sheets in "Claims and accounts receivable". In addition, we have withheld \$26 million from our subcontractors at March 31, 2019, related to these questioned costs, which is included in "Other current liabilities" on our condensed balance sheets.

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 of \$41 million as of March 31, 2019, and December 31, 2018. The balance at March 31, 2019, is recorded in "Contract liabilities" and "Other liabilities" in the amounts of \$25 million and \$16 million, respectively. The balance at December 31, 2018, is recorded in "Contract liabilities" and "Other liabilities" in the amounts of \$26 million and \$15 million, respectively.

Private Security Contractors. Starting in February 2007, we received a series of Form 1s from the DCAA informing us of the U.S. government's intent to deny reimbursement to us under the LogCAP III cost reimbursable contract for amounts related to the use of PSCs by KBR and a subcontractor in connection with its work for KBR providing dining facility services in Iraq between 2003 and 2006. The government challenged \$56 million in billings. The government had previously paid \$11 million and has withheld payments of \$45 million, which as of March 31, 2019, we have recorded as due from the government related to this matter in "Claims and accounts receivable" on our condensed consolidated balance sheets.

On June 16, 2014, we received a decision from the ASBCA which agreed with KBR's position (i) that the LogCAP III contract did not prohibit the use of PSCs to provide force protection to KBR or subcontractor personnel, (ii) that there was a need for force protection and (iii) that the costs were reasonable. The ASBCA also found that the Army breached its obligation to provide force protection. The Army appealed the decision.

On June 12, 2017, we received a second ruling from the ASBCA that we are entitled to recover the withheld costs in the approximate amount of \$45 million plus interest related to the use of PSCs. The Army filed a notice of appeal on October 12, 2017, and filed its brief on April 10, 2018. Oral arguments occurred on January 11, 2019, and we expect a ruling from the ASBCA in mid-2019. Accordingly, we believe that we are entitled to reimbursement by the Army for the amounts charged by our subcontractors, even if they incurred costs for PSCs. At this time, we believe the likelihood that we will incur a loss related to this matter is remote, and therefore we have not accrued any loss provisions related to this matter.

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 U.S. 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 matters described below are billable under the LogCAP III. All costs billed under LogCAP III 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 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 provided we are reimbursed for these same costs by the U.S. government. We previously paid FKTC \$19 million and the remaining \$30 million is recorded in "Other current liabilities" with pay-when-paid terms in the contract. As of March 31, 2019, we believe our recorded accruals and the pay-when-paid terms in our contract with FKTC are adequate in the event we are unable to favorably resolve our claims and disputes against the government. See KBR Contract Claim on FKTC containers below.

Howard qui tam. In March 2011, Geoffrey Howard and Zella Hemphill 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. Discovery is ongoing in this case and is expected to continue into 2019. We believe the allegations of fraud by the relators are without merit and, as of March 31, 2019, no amounts have been accrued.

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.

Discovery has been ongoing since 2015. The DOJ dropped claims on nine of the thirteen contracts on which they originally brought claims. We expect discovery on the remaining issues to be completed in early 2019. The court will set hearing and trial dates following the completion of discovery. As of March 31, 2019, 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.

Other matters

KBR Contract Claim on FKTC containers. KBR previously filed a claim before the ASBCA to recover the costs paid to FKTC to settle its requests for equitable adjustment. 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. We tried our contract appeal in September 2017. Final briefing was filed in early 2018 and closing arguments were held on March 22, 2018. In November 2018, we received an unfavorable ruling from the ASBCA disallowing all of our costs paid to FKTC. We have filed a motion for reconsideration by a senior panel of judges at the ASBCA and are in the process of preparing an appeal. As of March 31, 2019, we believe our recorded accruals and the pay-when-paid terms in our contract with FKTC are adequate in the event we are unable to favorably resolve our claims and disputes against the government.

Note 15 . Other Commitments and Contingencies

Other Matters

Unaoil Investigation. 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 believes it is cooperating with the DOJ, SEC, and the SFO in their investigations, including through the voluntary submission of information and responding to formal document requests.

Note 16 . Leases

We enter into lease arrangements primarily for real estate, project equipment, transportation and information technology assets in the normal course of our business operations. Real estate leases accounted for approximately 90% of our lease obligations at March 31, 2019. An arrangement is determined to be a lease at inception if it conveys the right to control the use of identified property and equipment for a period of time in exchange for consideration. We have elected not to recognize an ROU asset and lease liability for leases with an initial term of 12 months or less. Many of our equipment leases, primarily associated with the performance of projects for U.S. government customers, include one or more renewal option periods, with renewal terms that can extend the lease term in one year increments. The exercise of these lease renewal options is at our sole discretion and is generally dependent on the period of project performance, or extension thereof, determined by our customers. When it is reasonably certain that we will exercise the option, we include the impact of the option in the lease term for purpose of determining total future lease payments. As most of our lease agreements do not explicitly state the discount rate implicit in the lease, we use our incremental borrowing rate on the commencement date to calculate the present value of future lease payments.

Certain leases include payments that are based solely on an index or rate. These variable lease payments are included in the calculation of the ROU asset and lease liability. Other variable lease payments, such as usage-based amounts, are excluded from the ROU asset and lease liability, and are expensed as incurred. In addition to the present value of the future lease payments, the calculation of the ROU asset also includes any deferred rent, lease pre-payments and initial direct costs of obtaining the lease, such as commissions.

In addition to the base rent, real estate leases typically contain provisions for common-area maintenance and other similar services, which are considered non-lease components for accounting purposes. We exclude these non-lease components in calculating the ROU asset and lease liability for real estate leases and expense them as incurred. For all other types of leases, non-lease components are included in calculating our ROU assets and lease liabilities.

The components of lease costs for the three months ended March 31, 2019 were as follows:

<i>Dollars in millions</i>	March 31, 2019
Operating lease cost	\$ 14
Short-term lease cost	20
Total lease cost	<u>\$ 34</u>

Total short-term lease commitments as of March 31, 2019 was approximately \$71 million . Additional information related to leases was as follows:

<i>Dollars in millions</i>	March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 15
Right-of-use assets obtained in exchange for new operating lease liabilities	12
Weighted-average remaining lease term-operating	8.0
Weighted-average discount rate-operating leases	7.6%

The following is a maturity analysis of the future undiscounted cash flows associated with our operating lease liabilities as of March 31, 2019 , are as follows:

<i>Dollars in millions</i>	Year						Total
	2019	2020	2021	2022	2023	Thereafter	
Future payments - operating leases	42	50	41	34	30	143	340

<i>Dollars in millions</i>	Operating Leases
Total future payments	\$ 340
Less imputed interest	(93)
Present value of future lease payments	\$ 247
Less current portion of lease obligations	(40)
Noncurrent portion of lease obligations	<u>\$ 207</u>

Note 17 . 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, 2018	\$ 1,738	\$ 2,190	\$ 1,258	\$ (817)	\$ (913)	\$ 20
Cumulative adjustment for the adoption of ASC 842	21	—	21	—	—	—
Adjusted balance at January 1, 2019	1,759	2,190	1,279	(817)	(913)	20
Share-based compensation	3	3	—	—	—	—
Common stock issued upon exercise of stock options	1	1	—	—	—	—
Dividends declared to shareholders	(11)	—	(11)	—	—	—
Repurchases of common stock	(3)	—	—	(3)	—	—
Issuance of ESPP shares	2	—	—	2	—	—
Net income	42	—	40	—	—	2
Other comprehensive income, net of tax	2	—	—	—	2	—
Balance at March 31, 2019	<u>\$ 1,795</u>	<u>\$ 2,194</u>	<u>\$ 1,308</u>	<u>\$ (818)</u>	<u>\$ (911)</u>	<u>\$ 22</u>

<i>Dollars in millions</i>	Total	PIC	Retained Earnings	Treasury Stock	AOCL	NCI
Balance at December 31, 2017	\$ 1,221	\$ 2,091	\$ 877	\$ (818)	\$ (921)	\$ (8)
Cumulative effect of change in accounting policy, net of tax of \$6	144	—	144	—	—	—
Adjusted balance at January 1, 2018	1,365	2,091	1,021	(818)	(921)	(8)
Consolidation of Aspire entities	122	—	—	—	—	122
Share-based compensation	3	3	—	—	—	—
Dividends declared to shareholders	(11)	—	(11)	—	—	—
Repurchases of common stock	(2)	—	—	(2)	—	—
Issuance of ESPP shares	2	—	—	2	—	—
Other noncontrolling interests activity	4	—	—	—	—	4
Net income	139	—	138	—	—	1
Other comprehensive income, net of tax	9	—	—	—	9	—
Balance at March 31, 2018	<u>\$ 1,631</u>	<u>\$ 2,094</u>	<u>\$ 1,148</u>	<u>\$ (818)</u>	<u>\$ (912)</u>	<u>\$ 119</u>

Accumulated other comprehensive loss, net of tax

<i>Dollars in millions</i>	March 31,	
	2019	2018
Accumulated foreign currency translation adjustments, net of tax of \$2 and \$3	\$ (306)	\$ (255)
Pension and post-retirement benefits, net of tax of \$212 and \$226	(589)	(654)
Fair value of derivatives, net of tax of \$3 and \$0	(16)	(3)
Total accumulated other comprehensive loss	<u>\$ (911)</u>	<u>\$ (912)</u>

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, 2018	\$ (307)	\$ (592)	\$ (14)	\$ (913)
Other comprehensive income adjustments before reclassifications	1	—	(3)	(2)
Amounts reclassified from accumulated other comprehensive income	—	3	1	4
Balance at March 31, 2019	<u>\$ (306)</u>	<u>\$ (589)</u>	<u>\$ (16)</u>	<u>\$ (911)</u>

<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, 2017	\$ (258)	\$ (660)	\$ (3)	\$ (921)
Other comprehensive income adjustments before reclassifications	(2)	—	—	(2)
Amounts reclassified from accumulated other comprehensive income	5	6	—	11
Balance at March 31, 2018	<u>\$ (255)</u>	<u>\$ (654)</u>	<u>\$ (3)</u>	<u>\$ (912)</u>

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
	2019	2018	
Accumulated pension liability adjustments			
Amortization of actuarial loss (a)	\$ (4)	\$ (7)	See (a) below
Tax benefit	1	1	Provision for income taxes
Net pension and post-retirement benefits	<u>\$ (3)</u>	<u>\$ (6)</u>	Net of tax

(a) This item is included in the computation of net periodic pension cost. See Note 11 to our condensed consolidated financial statements for further discussion.

<i>Dollars in millions</i>	Three Months Ended March 31,		Affected line item on the Condensed Consolidated Statements of Operations
	2019	2018	
Accumulated foreign currency adjustments			
Reclassification of foreign currency adjustments	\$ —	\$ (5)	Gain on consolidation of Aspire entities
Tax benefit	—	—	Provision for income taxes
Net accumulated foreign currency	<u>\$ —</u>	<u>\$ (5)</u>	Net of tax

Note 18 . Share Repurchases

Withheld to Cover Program

We have in place a "withheld to cover" program, which allows us to withhold common 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, 2019		
	Number of Shares	Average Price per Share	Dollars in Millions
Withheld to cover shares	160,635	\$ 19.77	\$ 3
Total	160,635	\$ 19.77	\$ 3

	Three Months Ended		
	March 31, 2018		
	Number of Shares	Average Price per Share	Dollars in Millions
Withheld to cover shares	154,285	\$ 15.43	\$ 2
Total	154,285	\$ 15.43	\$ 2

Note 19 . 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,	
	2019	2018
Basic weighted average common shares outstanding	141	140
Stock options and restricted shares	—	—
Diluted weighted average common shares outstanding	141	140

For purposes of applying the two-class method in computing income per share, there was \$0.3 million net earnings allocated to participating securities, or a negligible amount per share, for the three months ended March 31, 2019 . Net earnings allocated to participating securities for the three months ended March 31, 2018 , was \$0.8 million , or a negligible amount per share. The diluted income per share calculation did not include 1.7 million antidilutive weighted average shares for the three months ended March 31, 2019 and 2018 .

Note 20 . 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, 2019 , the gross notional value of our foreign currency exchange forwards and option contracts used to hedge balance sheet exposures was \$23 million , all of which had durations of 17 days or less. We also had approximately

\$26 million (gross notional value) of cash flow hedges which had durations of 16 months or less. The cash flow hedges are primarily related to the British Pound and Australian Dollar.

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, 2019, and December 31, 2018. 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 income (expense)" on our condensed consolidated statements of operations.

<i>Gains (losses) dollars in millions</i>	Three Months Ended	
	March 31,	
	2019	2018
Balance Sheet Hedges - Fair Value	\$ —	\$ 2
Balance Sheet Position - remeasurement	3	(8)
Net	\$ 3	\$ (6)

Interest rate risk. The Company uses interest rate swaps to reduce interest rate risk and to manage net interest expense. On October 10, 2018 we entered into interest rate swap agreements with a notional value of \$500 million to manage the interest rate exposure on our variable rate loans. By entering into swap agreements, the Company converted the LIBOR rate based liability into a fixed rate liability for a four year period. Under the swap agreements, the Company receives one month LIBOR rate and pays monthly a fixed rate of 3.055% for the term of the swaps. The fair value of the interest rate swaps at March 31, 2019, was \$15 million of which \$3 million is included in current liabilities and \$12 million is included long-term liabilities. The unrealized net losses on these interest rate swaps was \$15 million and included in "Accumulated other comprehensive income" as of March 31, 2019. The fair value of the interest rate swaps at December 31, 2018 was \$12 million of which \$3 million is included in current liabilities and \$9 million is included long-term liabilities. The unrealized net losses on these interest rate swaps was \$12 million and included in "Accumulated other comprehensive income" as of December 31, 2018.

Note 21 . Recent Accounting Pronouncements

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 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.

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 2018 Annual Report on Form 10-K.

Overview

Our business is organized into three core and two non-core business segments supporting the government services and hydrocarbons markets as follows:

Core business segments

- Government Solutions
- Technology Solutions
- Energy Solutions

Non-core business segments

- Non-strategic Business
- Other

See additional information on our business segments, including detail with respect to changes to our reportable segments that became effective this quarter, in Notes 1 and 2 to our condensed consolidated financial statements.

Business Environment and Trends

Our business portfolio includes full life-cycle professional services, project solutions and technologies delivered across two primary verticals, government and hydrocarbons, aligned with the following:

- Early Project Advisory
- Project Definition
- Project Delivery
- Operations & Maintenance

Our core business capabilities and offerings include research and development, feasibility and solutions development, specialized technical consulting, systems integration, engineering and design service, highly specialized mission and logistics support solutions, process technologies and solutions, program management, construction, commissioning and startup services, and asset operations and maintenance services. We strive to deliver high quality solutions and services to support our clients' success today and to help them strengthen their strategic position for the future.

The global outlook for government services is favorable, with increased defense and space spending budgets driven in part by political instability, military conflicts, aging platforms and infrastructure, and the need for technology upgrades. We expect continued opportunities to provide enabling solutions and technologies to high impact, mission critical work. These opportunities continue to drive best value selections and customer confidence in the enterprise that we have built through our strategic acquisitions and organic growth. Internationally, the majority of our government services work is performed through private financed initiatives with the U.K. Ministry of Defence under long-term firm contracts. These contracts are expected to provide stable, predictable earnings and cash flow over the program life, with our largest PFI extending through 2041.

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 that may be impacted by delays, protests and other challenging dynamics. Additionally, our business may be affected by changes in the overall level of government spending and the alignment of our service and product offerings and capabilities with current and future budget priorities.

In the hydrocarbons sector, demand for our technologies, solutions and services is highly correlated to the level of capital and operating expenditures of our customers and prevailing market conditions. Significant volatility in commodity prices in recent

years has resulted in many of our hydrocarbons customers taking steps to defer, suspend or terminate capital expenditures, resulting in delayed or reduced volumes of business across the sector. Recently, the combination of a growing global economy, technological development, and abundant sources of competitively priced feedstock are driving an increase in capital investment opportunities being evaluated and funded by our hydrocarbons customers. For example, we continue to see opportunities for midstream LNG expansion and greenfield projects to satisfy future LNG demand driven in large part by China's and Germany's environmental policies promoting a transition from coal to natural gas. Additionally, downstream projects such as petrochemicals, chemicals and fertilizers benefit from low feedstock prices and increasing global development and consumer demand. From conceptual development studies to project delivery and asset management services, we seek to collaborate with our customers to meet the demands of the growing global economy.

Overall, we believe we have a balanced portfolio of global professional services, program delivery and technologies across the government services and hydrocarbons markets. We believe our increased mix of recurring government services and hydrocarbons services offers stability and predictability that enables us to be selective and disciplined to pursue EPC projects across hydrocarbons markets.

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Overview of Financial Results

For the three months ended March 31, 2019 , we generated revenues of \$1.3 billion and net income attributable to KBR of \$40 million , compared to revenues of \$1.0 billion and net income attributable to KBR of \$138 million for the three months ended March 31, 2018 . The increase in revenues were primarily driven by organic growth on existing projects and our acquisition of SGT in second quarter 2018 in our GS business segment, organic growth in our TS business segment and new projects in our ES business segment. Net income for the three months ended March 31, 2018 included the \$115 million gain on consolidation of the Aspire subcontracting entities.

Our GS business segment generated revenues of \$975 million and gross profits plus equity in earnings of \$96 million for the three months ended March 31, 2019 , compared to revenues of \$677 million and gross profits plus equity in earnings of \$75 million for the three months ended March 31, 2018 . The improvements were driven by strong organic growth within our logistics and engineering services business areas and \$115 million in additional revenues from the acquisition of SGT in second quarter 2018 as discussed in Note 4 to our condensed consolidated financial statements.

Our TS business segment generated revenues of \$92 million and gross profits of \$27 million for the three months ended March 31, 2019 , compared to revenues of \$62 million and gross profits of \$21 million for the three months ended March 31, 2018 . The increase in revenue was primarily attributable to increased activity in proprietary equipment sales. Profit margins were favorably impacted by higher revenue volume and equipment mix in the three months ended March 31, 2019 , resulting in higher gross profits compared to the three months ended March 31, 2018 .

Our ES business segment generated revenues of \$272 million and gross profit plus equity in earnings of \$30 million for the three months ended March 31, 2019 , compared to revenues of \$299 million and gross profits plus equity in earnings of \$44 million for the three months ended March 31, 2018 . The decrease in revenue was primarily caused by projects that were completed or substantially completed during the last 12 months, and decreases in revenue and equity earnings also decreased as a result of the wind down of our Ichthys LNG project. See Note 9 to our condensed consolidated financial statements for more information on the Ichthys LNG project.

Our Non-strategic Business segment generated revenues of \$1 million and no gross profit for the three months ended March 31, 2019 , compared to no revenues and \$2 million gross loss for the three months ended March 31, 2018 . All Non-Strategic Business projects are substantially complete as of March 31, 2019 . We continue to finalize project close-out activities and negotiate the settlement of claims and various other matters associated with these projects.

The information below is an analysis of our consolidated results for the three months ended March 31, 2019, compared to the three months ended March 31, 2018. See *Results of Operations by Business Segment* below for additional information describing the performance of each of our reportable segments.

	Three Months Ended March 31,			
			2019 vs. 2018	
	2019	2018	\$	%
<u>Dollars in millions</u>				
Revenues	\$ 1,340	\$ 1,038	\$ 302	29%

The increase in consolidated revenues was primarily driven by strong organic growth within our GS logistics and engineering services business areas, an additional \$115 million of revenues from the acquisition of SGT in second quarter 2018 and an increase in the TS segment. The increase was partially offset by decreased revenue in our ES segment caused by reduced activity, the completion or near completion of several projects in the U.S. and a decrease in revenue from services we provide to the Ichthys LNG project. See Note 9 to our condensed consolidated financial statements for more information on the Ichthys LNG project.

	Three Months Ended March 31,			
			2019 vs. 2018	
	2019	2018	\$	%
<u>Dollars in millions</u>				
Gross profit	\$ 153	\$ 115	\$ 38	33%

The increase in gross profit was primarily caused by strong organic growth in our GS logistics and engineering services business areas, higher revenue volume for the TS segment, and an increase in the ES segment due to a settlement on an ammonia project in the U.S.

	Three Months Ended March 31,			
			2019 vs. 2018	
	2019	2018	\$	%
<u>Dollars in millions</u>				
Equity in earnings of unconsolidated affiliates	\$ —	\$ 23	\$ (23)	(100)%

The decrease in equity in earnings of unconsolidated affiliates was primarily due to a decrease in progress on our Ichthys LNG project in our ES business segment. We also recognized an impairment charge associated with an equity method investment in Mexico. See Note 9 to our condensed consolidated financial statements for more information on the Ichthys LNG project.

	Three Months Ended March 31,			
			2019 vs. 2018	
	2019	2018	\$	%
<u>Dollars in millions</u>				
Selling, general and administrative expenses	\$ (78)	\$ (69)	\$ 9	13%

The increase in selling, general and administrative expenses was primarily due to \$3 million of SG&A expenses related to SGT which was acquired on April 25, 2018, and increased expense due to the organic growth in our GS business segment. These increases were partially offset by a decline in SG&A expenses related to our ES business segment. Selling, general and administrative expenses in the three months ended March 31, 2019 and 2018 included \$25 million and \$21 million, respectively, related to corporate activities and \$53 million and \$48 million, respectively, related to the business segments.

	Three Months Ended March 31,			
			2019 vs. 2018	
	2019	2018	\$	%
<u>Dollars in millions</u>				
Acquisition and integration related costs	\$ (1)	\$ (3)	\$ (2)	(67)%

The acquisition and integration related costs are primarily comprised of direct, incremental costs related to the acquisition of SGT.

Gain on Consolidation of Aspire Entities

<i>Dollars in millions</i>	Three Months Ended March 31,			
	2019	2018	2019 vs. 2018	
			\$	%
Gain on consolidation of Aspire entities	\$ —	\$ 115	\$ (115)	(100)%

The gain on consolidation of Aspire entities was recognized upon the consolidation of the Aspire Defence subcontracting entities for the three months ended March 31, 2018. See Note 4 to our condensed consolidated financial statements for additional information.

Interest Expense

<i>Dollars in millions</i>	Three Months Ended March 31,			
	2019	2018	2019 vs. 2018	
			\$	%
Interest expense	\$ (25)	\$ (6)	\$ 19	317%

The increase in interest expense was primarily due to increased borrowings as a result of the refinancing transaction and Convertible Notes as discussed in Note 12 to our condensed consolidated financial statements.

Other Non-operating Income (Loss)

<i>Dollars in millions</i>	Three Months Ended March 31,			
	2019	2018	2019 vs. 2018	
			\$	%
Other non-operating income (loss)	\$ 5	\$ (2)	\$ 7	350%

Other non-operating income (loss) includes interest income, foreign exchange gains and losses and other non-operating income and expense items. The increase in other non-operating income was primarily due to foreign exchange gains.

Provision for Income Taxes

<i>Dollars in millions</i>	Three Months Ended March 31,			
	2019	2018	2019 vs. 2018	
			\$	%
Income before provision for income taxes and noncontrolling interests	\$ 58	\$ 173	\$ (115)	(66)%
Provision for income taxes	\$ (16)	\$ (34)	\$ (18)	(53)%

Our provision for income taxes for the three months ended March 31, 2019, reflects a 27% tax rate as compared to a 20% tax rate for the three months ended March 31, 2018. The effective tax rate of 27% for the three months ended March 31, 2019 was primarily impacted by the rate differential on our foreign earnings including equity losses for which no tax benefit is available. The effective tax rate of 20% for the three months ended March 31, 2018 was impacted by a discrete tax expense as a result of obtaining control of the Aspire Defence subcontracting entities that was recorded at a lower rate than our estimated annual tax rate for 2018. See Note 13 to our condensed consolidated financial statements for further discussion on income taxes.

Net Income Attributable to Noncontrolling Interests

<i>Dollars in millions</i>	Three Months Ended March 31,			
	2019	2018	2019 vs. 2018	
			\$	%
Net income attributable to noncontrolling interests	\$ (2)	\$ (1)	\$ 1	100%

The increase in net income attributable to noncontrolling interests was primarily due to earnings from our GS and TS business segments.

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>	Three Months Ended March 31,	
	2019	2018
Revenues		
Government Solutions	\$ 975	\$ 677
Technology Solutions	92	62
Energy Solutions	272	299
Other	—	—
Subtotal	1,339	1,038
Non-strategic Business	1	—
Total	\$ 1,340	\$ 1,038
Gross profit (loss)		
Government Solutions	\$ 90	\$ 67
Technology Solutions	27	21
Energy Solutions	36	29
Other	—	—
Subtotal	153	117
Non-strategic Business	—	(2)
Total	\$ 153	\$ 115
Equity in earnings of unconsolidated affiliates		
Government Solutions	\$ 6	\$ 8
Technology Solutions	—	—
Energy Solutions	(6)	15
Other	—	—
Subtotal	—	23
Non-strategic Business	—	—
Total	\$ —	\$ 23
Total general and administrative expenses	\$ (78)	\$ (69)
Acquisition and integration related costs	\$ (1)	\$ (3)
Gain on disposition of assets	\$ 4	\$ —
Gain on consolidation of Aspire entities	\$ —	\$ 115
Total operating income	\$ 78	\$ 181

Government Solutions

GS revenues increased by \$298 million , or 44% , to \$975 million in the three months ended March 31, 2019 , compared to \$677 million in the three months ended March 31, 2018 . This increase was primarily due to an additional \$115 million of revenues from the acquisition of SGT in second quarter 2018, increase in volume in Aspire Defence Capital Works, and strong organic growth in our logistics and engineering services business areas. See Note 4 to our condensed consolidated financial statements for more information on the consolidation of the Aspire Defence subcontracting entities and the acquisition of SGT.

GS gross profit increased by \$23 million , or 34% , to \$90 million in the three months ended March 31, 2019 , compared to \$67 million in the three months ended March 31, 2018 . This increase was primarily due to \$9 million of gross profit from the acquisition of SGT, and increases from organic revenue growth in our logistics and engineering services business areas.

GS equity in earnings of unconsolidated affiliates decreased by \$2 million , or 25% , to \$6 million in the three months ended March 31, 2019 , compared to \$8 million in the three months ended March 31, 2018 . This decrease was primarily due to the consolidation of the Aspire Defence subcontracting entities in January 2018.

Technology Solutions

TS revenues increased by \$30 million , or 48% , to \$92 million in the three months ended March 31, 2019 , compared to \$62 million in the three months ended March 31, 2018 , primarily due to timing of proprietary equipment sales.

TS gross profit increased by \$6 million , or 29% , to \$27 million in the three months ended March 31, 2019 , compared to \$21 million in the three months ended March 31, 2018 , primarily driven by the increased revenue volume from proprietary equipment sales at lower margins.

Energy Solutions

ES revenues decreased by \$27 million , or 9% , to \$272 million in the three months ended March 31, 2019 , compared to \$299 million in the three months ended March 31, 2018 . This decrease was primarily due to reduced activity, projects at or near completion of several projects in the U.S. and decrease in revenue from services we provide to the Ichthys LNG project. See Note 9 to our condensed consolidated financial statements for more information on the Ichthys LNG project.

ES gross profit increased by \$7 million , or 24% , to \$36 million in the three months ended March 31, 2019 , compared to \$29 million in the three months ended March 31, 2018 . This increase was primarily due to a settlement on an ammonia project in the US.

ES equity in earnings of unconsolidated affiliates decreased by \$21 million , or 140% , to a loss of \$6 million in the three months ended March 31, 2019 , compared to earnings of \$15 million in the three months ended March 31, 2018 . This decrease was primarily due to a decrease in earnings on the Ichthys LNG project. We also recognized an impairment charge associated with an equity method investment in Latin America. See Note 9 to our condensed consolidated financial statements for more information on the Ichthys LNG project.

Non-strategic Business

Non-strategic Business earned revenues of \$1 million in the three months ended March 31, 2019 , compared to \$0 million in the three months ended March 31, 2018 . Revenues in the Non-strategic Business are primarily associated with close-out activities on completed projects as we exit the business.

Non-strategic Business incurred no profit or loss in the three months ended March 31, 2019 , compared to a loss of \$2 million in the three months ended March 31, 2018 . This change was primarily due to close-out activities on completed projects in the three months ended March 31, 2018 as we exit the business.

Changes in Estimates

Information relating to our changes in estimates is discussed in Note 2 to our condensed consolidated financial statements. See Note 9 to our condensed consolidated financial statements for more information on the Ichthys JV.

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 over the contract period 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 compensating us for periods beyond the date of termination, backlog is 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 expected value of our services in backlog.

We define backlog, as it relates to U.S. government contracts, as our estimate of the remaining future revenue from existing signed contracts over the remaining base contract performance period (including customer approved option periods) for which work scope and price have been agreed with the customer. We define funded backlog as the portion of backlog for which funding currently is appropriated, less the amount of revenue we have previously recognized. We define unfunded backlog as the total backlog less the funded backlog. Our GS backlog does not include any estimate of future potential delivery orders that might be awarded under our government-wide acquisition contracts, agency-specific indefinite delivery/indefinite quantity contracts, or other multiple-award contract vehicles nor does it include option periods that have not been exercised by the customer.

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 backlog. 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 \$3.1 billion at March 31, 2019, and \$3.0 billion at December 31, 2018. 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 \$5.3 billion at March 31, 2019, and December 31, 2018.

The following table summarizes our backlog by business segment for the periods ended March 31, 2019, and December 31, 2018, respectively:

<i>Dollars in millions</i>	March 31, 2019	December 31, 2018
Government Solutions	\$ 10,775	\$ 11,005
Technology Solutions	547	594
Energy Solutions	2,278	1,896
Subtotal	13,600	13,495
Non-strategic Business	2	2
Total backlog	\$ 13,602	\$ 13,497

We estimate that as of March 31, 2019, 31% of our backlog will be executed within one year. Of this amount, 81% will be recognized in revenues on our condensed consolidated statement of operations and 19% will be recorded by our unconsolidated joint ventures. As of March 31, 2019, \$57 million of our backlog relates to active contracts that are in a loss position.

As of March 31, 2019, 9% of our backlog was attributable to fixed-price contracts, 56% was attributable to PFIs and 35% 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, 2019, \$9.6 billion of our GS backlog was currently funded by our customers.

As of March 31, 2019, we had approximately \$3.3 billion of priced option periods for U.S. government contracts that are not included in the backlog amounts presented above.

The difference between backlog of \$13.6 billion and the remaining performance obligation as defined by ASC 606 of \$9.8 billion is primarily due to our proportionate share of backlog related to unconsolidated joint ventures which is not included in our remaining performance obligation. See Note 3 to our condensed consolidated financial statements for discussion of the remaining performance obligation.

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 subcontractor 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 10 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 14 and 15 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

Energy Solutions services 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 \$500 million PLOC or our \$500 million Revolver under our Senior Credit Facility. Letters of credit may also be arranged with our banks on a bilateral, syndicated or other basis. We believe we have adequate letter of credit capacity under our Senior Credit Facility and bilateral lines, as well as adequate surety bond capacity under our existing lines to support our operations, backlog for the next 12 months.

Cash generated from operations and the new Senior Credit Facility 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 hydrocarbons services projects. Certain projects may receive cash in the early phases of our larger hydrocarbons services fixed-price projects, technology 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 Senior Credit Facility 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 availability under our Senior Credit Facility are sufficient to support our day-to-day domestic and foreign business operations for at least the next 12 months.

Cash and equivalents totaled \$708 million at March 31, 2019, and \$739 million at December 31, 2018 and consisted of the following:

<i>Dollars in millions</i>	March 31, 2019	December 31, 2018
Domestic U.S. cash	\$ 152	\$ 211
International cash	202	210
Joint venture and Aspire project cash	354	318
Total	<u>\$ 708</u>	<u>\$ 739</u>

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.

Our 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 maintaining 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. Repatriations of our undistributed foreign earnings are generally free of U.S. tax but may incur withholding and/or state taxes. We still must assess our future U.S. and non-U.S. cash needs such as 1) our anticipated foreign working capital requirements, including funding of our U.K. pension plan, 2) the expected growth opportunities across all geographical markets, and 3) our plans to invest in strategic growth opportunities that may include acquisitions around the world. As of March 31, 2019, we have not changed our indefinite reinvestment decision on our undistributed earnings of our foreign subsidiaries.

Joint venture cash and Aspire Defence project cash balances reflect the amounts held by joint venture entities that we consolidate for financial reporting purposes. These amounts are limited to those entities' 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 including us. We expect that the majority of the joint venture cash balances will be utilized for the corresponding joint venture projects.

As of March 31, 2019, 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>	Three Months Ended March 31,	
	2019	2018
Cash flows provided by (used in) operating activities	\$ 48	\$ (130)
Cash flows (used in) provided by investing activities	(69)	125
Cash flows (used in) provided by financing activities	(17)	51
Effect of exchange rate changes on cash	7	1
(Decrease) increase in cash and equivalents	\$ (31)	\$ 47

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 hydrocarbon services 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, contract assets, accounts payable and contract liabilities. 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 provided by operations totaled \$48 million in the first three months in 2019 as compared to net income of \$42 million. The difference primarily results from net unfavorable changes of \$6 million in working capital balances for projects as discussed below:

- The \$48 million unfavorable cash flow impact related to accounts receivable was primarily related to increases in accounts receivable in our GS business segment.
- The \$39 million favorable cash flow impact related to accounts payable was largely attributable to growth in our TS and GS business segments. This increase was partially offset by decreases in accounts payable related to our ES business segment.
- In addition, we received distributions of earnings from our unconsolidated affiliates of \$7 million and contributed \$9 million to our pension funds in the first three months of 2019.

Cash used in operations totaled \$130 million in the first three months in 2018 primarily resulting from net unfavorable changes of \$147 million in working capital balances for projects as discussed below:

- Accounts receivable unfavorable cash flow impact was primarily related to increases in accounts receivable in our GS U.S. operations and increases in accounts receivable in the consolidated Aspire entities, since the date we obtained control, partially offset by strong collections in our TS segment.
- Contract assets unfavorable cash flow impact in the first three months in 2018 , primarily due to increases in contract assets related to a downstream EPC project in the U.S. and in various other U.S. government projects.
- Accounts payable favorable cash flow impact in the first three months in 2018 , primarily due to the consolidated Aspire entities, since the date we obtained control. This increase was partially offset by decreases in accounts payable related to our ES and TS business segments.
- Contract liabilities unfavorable cash flow impact in the first three months in 2018 , primarily due to progress associated with various projects in our GS and ES business segments.
- We received distributions of earnings from our unconsolidated affiliates of \$1 million and contributed \$10 million to our pension funds in the first three months in 2018 .

Investing Activities . Cash used in investing activities totaled \$69 million in the first three months in 2019 and was primarily due to investment in JKC. See Note 9 to our condensed consolidated financial statements for discussion of the Ichthys Project and our investment contributions to JKC.

Cash provided by investing activities totaled \$125 million in the first three months in 2018 and was primarily due to incremental cash resulting from the consolidation of the Aspire entities, offset by an investment in JKC.

Financing Activities . Cash used in financing activities totaled \$17 million in the first three months of 2019 was primarily due to \$11 million for dividend payments to common shareholders.

Cash provided by financing activities totaled \$51 million in the first three months of 2018 and includes \$70 million in borrowings on our existing Credit Agreement, offset by \$11 million for dividend payments to common shareholders and \$6 million for the payment of cash associated with the agreement entered into in 2017 to acquire the remaining 25% noncontrolling interest in one of our joint ventures.

Future sources of cash. We believe that future sources of cash include cash flows from operations, cash derived from working capital management, and cash borrowings under our Senior Credit Facility.

Future uses of cash. We believe that future uses of cash include working capital requirements, funding of recognized project losses, joint venture capital calls, capital expenditures, dividends, pension funding obligations, repayments of borrowings under our Senior Credit Facility, 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 make payments under operating leases and various other obligations, including potential litigation payments, as they arise.

Other factors potentially affecting liquidity

Ichthys LNG Project. As discussed in Note 9 to our condensed consolidated financial statements, JKC has included in its project estimates-at-completion significant revenues associated with unapproved change orders and claims against the client as well as estimated recoveries of claims against suppliers and subcontractors. The client reserved their contractual rights on certain amounts previously funded to JKC and is currently seeking recoveries of those amounts. JKC continues to incur certain ongoing site services and close-out costs which it believes are reimbursable under the terms of the Ichthys LNG contract for which the client continues to withhold payment. We have funded and expect to continue funding JKC for our proportionate share of the capital requirements in the future until these matters are resolved.

In addition, JKC is incurring substantial costs to complete the power plant under the fixed price portion of the Ichthys LNG contract. JKC believes these costs are recoverable from the Consortium who abandoned their contractual obligation to complete the power plant as the original subcontractor. We have initiated arbitrations and other legal proceedings to recover these costs which may take several years to resolve. As a result, we have funded and expect to continue funding JKC for our proportionate share of the capital requirements to complete the power plant as these legal proceedings progress.

During the three months ended March 31, 2019, we made investment contributions to JKC of approximately \$69 million to fund our proportionate share of the ongoing project execution activities. During 2018, we made investment contributions to JKC of approximately \$344 million to fund our proportionate share of the ongoing project execution activities. Our projected total investment contributions to complete the project is approximately \$500 million, thus leaving approximately \$87 million to fund later in 2019. JKC's obligations to the client are guaranteed on a joint and several basis by the joint venture partners. To the extent our joint venture partners are unable to complete their obligations, we may be required to fund incremental amounts above our 30% ownership interest. Negotiations and legal proceedings with the client and the subcontractors are ongoing, the goal of which is to minimize these expected outflows.

As of March 31, 2019, we had \$164 million in letters of credit outstanding in support of performance and warranty guarantees provided to the client. The performance letter of credit expires upon provisional acceptance of the facility by the client and the warranty letter of credit expires upon the end of the warranty obligation.

U.K. pension obligation. We recognized on our balance sheet a funding deficit of \$240 million (measured as the difference between the fair value of plan assets and the projected benefit obligation) for our frozen defined benefit pension plans. The total amounts of employer pension contributions paid for the three months ended March 31, 2019 were \$9 million and primarily related to our defined benefit plan in the U.K. The funding requirements for our U.K. pension plan are determined based on the U.K. Pensions Act of 1995. Annual minimum funding requirements are based on a binding agreement with the trustees of the U.K. pension plan that is negotiated on a triennial basis. The binding agreement also includes other assurances and commitments regarding the business and assets that support the U.K. pension plan. We anticipate finalizing a new triennial agreement with the trustees of the U.K. pension in 2019. In the future, such pension funding may increase or decrease depending on changes in the levels of interest rates, pension plan performance and other factors. A significant increase in our funding requirements for the U.K. pension plan could result in a material adverse impact on our financial position.

Credit Agreement and Senior Credit Facility

Information relating to our Credit Agreement and Senior Credit Facility is described in Note 12 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.

Convertible Senior Notes

Information relating to our Convertible Senior Notes is described in Note 12 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.

Nonrecourse Project Debt

Information relating to our nonrecourse project debt is described in Note 12 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

In the ordinary course of business, we enter into various agreements providing performance guarantees to customers on behalf of certain unconsolidated and consolidated joint ventures. These agreements are entered into primarily to support the project execution commitments of these entities. Depending on the specific project joint venture, these performance guarantees have various expiration dates ranging from mechanical completion of the project being constructed to a period extending beyond contract completion in certain circumstances. For cost reimbursable contracts, amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump-sum or fixed-price contracts, the performance guarantee amount is the cost to complete the contracted work, less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete. If costs exceed the remaining amounts payable under the contract, the company may have recourse to third parties, such as owners, joint venture partners, subcontractors or vendors for claims. In our joint venture arrangements, typically each joint venture partner indemnifies the other party for any liabilities incurred in excess of the liabilities the other party is obligated to bear under the respective joint venture agreement. See "Item 1A. Risk Factors" contained in Part I of our Annual Report on Form 10-K, which is incorporated herein by reference, for the year ended December 31, 2018, for information regarding our fixed-price contracts and operations through joint ventures and partnerships. Other than discussed in this report,

we have not engaged in any material off-balance sheet financing arrangements through special purpose entities, and we have no material guarantees of the work or obligations of third parties.

Financial guarantees, made in the ordinary course of business in certain limited circumstances, are entered into with financial institutions and other credit grantors and generally obligate the company to make payment in the event of a default by the borrower. These arrangements generally require the borrower to pledge collateral to support the fulfillment of the borrower's obligation.

Letters of credit, surety bonds and guarantees. Information relating to our nonrecourse project debt is described in Note 12 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.

Critical Accounting Policies and Estimates

There have been no material changes to our discussion of critical accounting policies and estimates from those set forth in our 2018 Annual Report on Form 10-K, which is incorporated herein by reference, for the year ended December 31, 2018.

See Note 1, *Description of Company and Significant Accounting Policies*, to our condensed consolidated financial statements for a discussion of the potential impact of new accounting standards on our unaudited condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Cash and equivalents are deposited with major banks throughout the world. We invest excess cash and equivalents in short-term securities, primarily time deposits and money market funds, which carry a fixed rate of return. We have not incurred any credit risk losses related to deposits of our cash and equivalents.

Foreign Currency Risk. We are exposed to market risk associated with changes in foreign currency exchange rates primarily related to engineering and construction contracts. We attempt to limit exposure to foreign currency fluctuations in most of these contracts through provisions requiring the client to pay us in currencies corresponding to the currency in which cost is incurred. In addition to this natural hedge, we may use foreign exchange forward contracts and options to hedge material exposures when forecasted foreign currency revenues and costs are not denominated in the same currency and when efficient markets exist. These derivatives are generally designated as cash flow hedges and are carried at fair value. We do not enter into derivative financial instruments for trading purposes or make speculative investments in foreign currencies. We recorded a net gain of \$3 million and a net loss of \$6 million related to the impact of our hedging activities associated with our operating exposures in "Other non-operating income (expense)" on our condensed consolidated statements of operations for the three months ended March 31, 2019 and 2018, respectively.

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 largely offset by remeasurement of the underlying assets and liabilities. The fair value of these derivatives was not material to our condensed consolidated balance sheet for the three months ended March 31, 2019. See Note 20 to our condensed consolidated financial statements and the information discussed therein is incorporated by reference into this Item 3.

Interest Rate Risk. We are exposed to market risk for changes in interest rates for the revolving credit facility and term loan borrowings under our Senior Credit Facility. We had no borrowings outstanding under the revolving credit facility and \$984 million under the term loan portions of our Senior Credit Facility as of March 31, 2019. Borrowings under the Senior Credit Facility bear interest at variable rates as described in Note 12 to our condensed consolidated financial statements.

We manage interest rate exposure by entering into interest rate swap agreements where we agree to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated on an agreed-upon notional principal amount. On October 10, 2018, we entered into interest rate swap agreements covering \$500 million of notional value of our outstanding term loans. Under these swap agreements, we receive one month LIBOR rate and pay an average monthly fixed rate of 3.055% for the term of the swaps which expire in October 2022. The swap agreements were designated as a cash flow hedge at inception in accordance with ASC Topic 815 Accounting for Derivative and Hedging Transactions. The total fair value of these derivative instruments was a liability of approximately \$15 million as of March 31, 2019.

At March 31, 2019, we had fixed rate debt aggregating \$850 million and variable rate debt aggregating \$484 million, after taking into account the effects of the interest rate swaps. Our weighted average interest rate for the three months ended March 31,

2019 , was 5.16% . If interest rates were to increase by 50 basis points, pre-tax interest expense would increase by approximately \$2 million in the next twelve months net of the impact from our swap agreements, based on outstanding borrowings as of March 31, 2019 .

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, 2019 , 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.

Effective January 1, 2019, we adopted ASC Topic 842 as further discussed in Notes 1 and 16 to our consolidated financial statements. As a result, we implemented changes affecting our internal control over financial reporting in conjunction with the adoption of this standard. We enhanced our contracting and lease evaluation processes, and we implemented process controls to ensure the identification and reporting of lease activities are accurate and complete. Additionally, we implemented a new lease accounting system to manage our lease-related data including process and system controls to support our accounting and disclosure requirements.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information relating to various commitments and contingencies is described in Notes 14 and 15 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

There are no material changes from the risk factors previously disclosed in Part I, Item 1A in our Annual Report on Form 10-K, which is incorporated herein by reference, for the year ended December 31, 2018 .

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, 2019 .

Purchase Period	Total Number of Shares Purchased ⁽¹⁾	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, 2019	1,005	\$ 15.93	—	\$ 160,236,157
February 1 - 28, 2019	103,453	\$ 19.76	—	\$ 160,236,157
March 1 - 31, 2019	56,177	\$ 19.86	—	\$ 160,236,157

(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, Inc. 2006 Stock and Incentive Plan. Total shares acquired from employees during the three months ended as of March 31, 2019 , was 160,635 shares at an average price of \$19.77 per share.

Item 6. Exhibits

Exhibit Number	Description
<u>**10.61+</u>	Form of Restricted Stock Unit Agreement (US Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<u>**10.62+</u>	Form of revised Restricted Stock Unit Agreement (International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<u>**10.63+</u>	Form of revised Performance Stock Unit Agreement (US Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<u>**10.64+</u>	Form of revised Performance Stock Unit Agreement (International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<u>**10.65+</u>	Form of revised Performance Award Agreement (US/International Employee) pursuant to KBR, Inc. 2006 Stock and Incentive Plan
<u>*31.1</u>	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>*31.2</u>	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<u>**32.1</u>	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<u>**32.2</u>	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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

KBR, INC.

/s/ Mark Sopp

Mark Sopp
Executive Vice President and Chief Financial Officer

/s/ Raymond L. Carney

Raymond L. Carney
Vice President and Chief Accounting Officer

Dated: May 3, 2019

Dated: May 3, 2019

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:

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

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, if Employee is exclusively subject to the laws of the United States, 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:

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

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, with 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, 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 any applicable withholding 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 may 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.**

(a) **Declaration of Consent.** *By accepting the Restricted Stock Units via the Company's acceptance procedure, Employee is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned below, including recipients located in countries which may not have a similar level of protection from the perspective of the data protection laws in Employee's country.*

(b) **Data Collection and Usage.** *The Company and the Employer may collect, process and use certain personal information about Employee, including, but not limited to, Employee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is Employee's consent.*

(c) **Stock Plan Administration Service Providers.** *The Company transfers Data, or parts thereof, to Morgan Stanley Smith Barney, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and may share Data with different service providers that serve in a similar manner. Employee acknowledges and understands that the Company's service provider will open an account for Employee to receive and trade shares of Stock acquired under the Plan and that Employee will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of Employee's ability to participate in the Plan.*

(d) **International Data Transfers.** *The Company and its service provider, are based in the United States. Employee understands that his or her country may have enacted data privacy laws that are different from the laws of the United States. For example, the European Commission has issued only a limited adequacy finding with respect to the United States that applies solely if and to the extent that companies self-certify and remain self-certified under the EU/U.S. Privacy Shield program. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of Employee's Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, Employee might not have enforceable rights regarding the processing of his or her Data in such countries. The Company's legal basis for the transfer of Data is Employee's consent.*

(e) **Data Retention.** *The Company will hold and use the Data only as long as is necessary to implement, administer and manage Employee's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, labor, securities and exchange control laws.*

(f) ***Voluntariness and Consequences of Consent Denial or Withdrawal.*** *Participation in the Plan is voluntary and Employee is providing the consents herein on a purely voluntary basis. Employee understands that he or she may withdraw consent at any time with future effect for any or no reason. If Employee does not consent, or if Employee later seeks to revoke his or her consent, Employee's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to offer Restricted Stock Units to Employee or administer or maintain Employee's participation in the Plan.*

(g) ***Data Subject Rights.*** *Employee understands that data subject rights vary depending on the applicable law and that, depending on where Employee is based and subject to the conditions set out in the applicable law, Employee may have, without limitation, the rights to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in Employee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Employee understands that he or she can contact Employee's local human resources representative.*

By clicking the "Accept" or similar button implemented into the relevant web page or platform, Employee declares, without limitation, his or her consent to the data processing operations described in this Agreement. Employee understands and acknowledges that he or she may withdraw consent at any time with future effect for any or no reason as described in subsection (f) above.

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 exceptional, 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 Employer 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, and the income and value of the same, are not intended to replace any pension rights or compensation;
- (g) the Restricted Stock Units and the Stock underlying the Restricted Stock Units, and the income and value of the same, are not part of normal or expected compensation or salary for any purpose, including but not limited to, calculation of any severance, resignation, termination, redundancy or end-of-service payments, holiday-pay, bonuses, long-service awards, leave-related payments, pension or retirement benefits, or similar mandatory 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);
- (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;
- (l) unless otherwise agreed with the Company, the Restricted Stock Units and the Stock underlying the Restricted Stock Units, and the income and value of the same,

are not granted as consideration for, or in connection with, services Employee may provide as a director of a Subsidiary; and

(m) 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 should 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**. Employee acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow Employee to understand the terms of this Agreement and any other documents related to the Plan. 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 or the country of residence of Employee's broker, Employee may be subject to insider trading restrictions and/or market abuse laws, which may affect Employee's ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (e.g., Restricted Stock Units) or rights linked to the value of shares of Stock during such times as Employee is considered to have "inside information" regarding the Company, as defined by the laws or regulations in Employee's country. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders placed by Employee before Employee possessed inside information. Furthermore, Employee could be prohibited from (i) disclosing inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Keep in mind third parties include fellow employees. 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 Employee should 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.

21. **Foreign Asset/Account Reporting, Exchange Control Requirements**. Certain foreign asset and/or foreign account reporting requirements and exchange controls may affect Employee’s ability to acquire or hold shares of Stock under the Plan or cash received from participating in the Plan in a brokerage or bank account outside Employee’s country. Employee may be required to report such accounts, assets or transactions to the tax or other authorities in Employee’s country. Employee may also be required to repatriate sale proceeds or other funds received as a result of Employee’s participation in the Plan to Employee’s country through a designated bank or broker and/or within a certain time after receipt. Employee is responsible for complying with any applicable regulations and should consult his or her personal legal and tax advisors for any details.

[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 2019. 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 should 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, may determine 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.

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.

Tax Information.

The Plan is a plan to which subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

BAHRAIN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

The Agreement, the Plan and all other materials Employee may receive regarding participation in the Plan do not constitute advertising or the offering of securities in Bahrain, nor do they constitute an allotment of securities in Bahrain. Any Stock issued upon settlement of the Restricted Stock Units will be deposited into a Company-designated brokerage account outside Bahrain. In no event will Stock be issued or delivered in Bahrain. The issuance of Stock pursuant to the Restricted Stock Units described herein has not and will not be registered in Bahrain and, hence, the Stock described herein may not be admitted or used for offering, placement or public circulation in Bahrain. Accordingly, Employee may not make any public advertising or announcements regarding the Restricted Stock Units or Stock in Bahrain, promote Stock to legal entities or individuals in Bahrain, or sell Stock directly to other legal entities or individuals in Bahrain. Any disposition or sale of Stock must take place outside Bahrain.

CANADA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Restricted Stock Units Payable Only in Stock.

The following provision supplements Paragraph 2(e) of the Agreement:

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 specified foreign property on Form T1135 (Foreign Income Verification Statement) if the total cost of his or her specified foreign property exceeds C\$100,000 at any time in the year. Specified foreign property includes shares of Stock acquired under the Plan.

Termination of Employment.

The following provision supplements Paragraph 7(j) 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 earliest 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); in the event that the date Employee is no longer actively providing services cannot be reasonably determined under the terms of this Agreement and the Plan, the Committee 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).

Securities Law Information.

Employee is permitted to sell shares of Stock acquired under the Plan through the designated broker appointed under the Plan, if any, provided that the sale of such shares takes place outside Canada through the facilities of a stock exchange on which the shares of Stock are listed (*i . e .* , the New York Stock Exchange).

The following provisions shall apply if Employee is a resident of Quebec:

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

Payment for Vested Restricted Stock Units

The following provision replaces Paragraph 2(e) of the Agreement:

Notwithstanding anything in the Agreement, the Restricted Stock Units do not provide Employee with any right to receive shares of Stock. Upon vesting, the Restricted Stock Units shall be settled and paid only in cash through local payroll in an amount equal to the Fair Market Value of the shares of Stock as of the vesting date less any Tax-Related Items. Such payment shall be made as soon as administratively practicable after vesting, but in no event later than thirty days after the vesting date. Further, Employee agrees to bear any currency fluctuation risk between the time the Restricted Stock Units vest and the time the cash payment is distributed to Employee.

FINLAND
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

GERMANY
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information .

Cross-border payments in excess of €12,500 (*e . g .* , proceeds from the sale of shares of Stock) must be reported monthly to the German Federal Bank. Employee is responsible for satisfying the reporting obligation and must file the report electronically by the fifth day of the month following the month in which the payment is received. A copy of the form can be accessed via the German Federal Bank’s website at www.bundesbank.de and is available in both German and English.

Foreign Account/Asset Tax Reporting Information .

If Employee’s acquisition of shares of Stock under the Plan leads to a so-called “qualified participation” at any point during the calendar year, Employee will need to report the acquisition of such shares of Stock when Employees files his or her tax return for the relevant year. A qualified participation is attained if (i) the value of the shares of Stock acquired exceeds EUR 150,000 or (ii) the shares of Stock held exceed 10% of the Company’s total Common Stock.

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 cash dividends paid on such Stock within the period of time required under applicable regulations. 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.

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 of Stock.

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 a Subsidiary of the Company 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 he or she 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 término “Premio” se refiere a la palabra “Restricted Stock Units.” 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 es la Subsidiaria de la Compania 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.

¹ El término “Premio” se refiere a la palabra “Restricted Stock Units.”

QATAR
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

ROMANIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Language Consent.

By accepting the grant of Restricted Stock Units, Employee acknowledges that he or she is proficient in reading and understanding English and fully understands the terms of the documents related to the grant (the Agreement and the Plan), which were provided in the English language. Employee accept the terms of those documents accordingly.

Consintamant cu privire la limba.

Prin acceptarea acordarii de Restricted Stock Units, Employee confirma ca acesta sau aceasta are un nivel adecvat de cunoastere in ce priveste citirea si intelegerea limbii engleze, a citit si confirma ca a inteles pe deplin termenii documentelor referitoare la acordare (Acordul si Planul), care au fost furnizate in limba engleza. Employee accepta termenii acestor documente in consecinta.

Exchange Control Information.

If Employee remits foreign currency into Romania (e . g . , proceeds from the sale of shares of Stock), Employee may be required to provide the Romanian bank through which the foreign currency is transferred with appropriate documentation explaining the source of the funds.

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 Rules on the Offer of Securities and Continuing Obligations 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

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 Stock 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 Stock Units in Singapore, unless such sale or offer in is made (a) more than six months after the Grant Date or (b) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA, or pursuant to, and in accordance with the condition of, any other applicable provisions of the SFA.

Director/CEO Notification Information.

If Employee is the CEO or 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, etc.) in the Company or any Subsidiary or within two business days of Employee becoming the CEO or 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).

THAILAND
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information .

If the proceeds from the sale of shares of Stock or any cash dividends received in relation to such shares of Stock exceed USD 50,000 (or its equivalent amount) in a single transaction, Employee is required to procure the funds within 360 days of the transaction date and immediately repatriate the funds to Thailand upon receipt and either (i) convert the repatriated foreign currency into Thai Baht or (ii) deposit such foreign currency into his/her foreign currency deposit account opened with any commercial bank in Thailand, within 360 calendar days from the date on which the proceeds are repatriated into Thailand. Employee is also required to inform the details of the transaction (*i . e .*, identification information and purpose of the transaction) to the remittance bank acting as an authorized agent of the Bank of Thailand to report the inward remittance of funds into Thailand.

**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 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 .

This section supplements Paragraph 3 of the Agreement.

Without limitation to Paragraph 3 of the Agreement, Employee agrees that he or she is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Employer, as applicable, or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). Employee also agrees to indemnify and keep indemnified the Company and the Employer, as applicable, for any Tax-Related Items that they are required to pay or withhold or have paid or will pay on Employee's behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if Employee is an officer or executive director (as within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. In this case, the amount of any income tax not collected within 90 days of the end of the U.K. tax year in which an event giving rise to the Tax-Related Items occurs 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, 2019, if the Committee that administers the Plan (the “Committee”) determines, in its sole discretion, that calendar year 2019 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:

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

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, 2019, if the Committee that administers the Plan (the “Committee”) determines, in its sole discretion, that calendar year 2019 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, if Employee is exclusively subject to the laws of the United States, 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:

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

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, with 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, 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 any applicable withholding 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 may 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**.

(a) **Declaration of Consent**. By accepting the Performance Stock Units via the Company's acceptance procedure, Employee is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned below, including recipients located in countries which may not have a similar level of protection from the perspective of the data protection laws in Employee's country.

(b) **Data Collection and Usage**. The Company and the Employer may collect, process and use certain personal information about Employee, including, but not limited to, Employee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in the Company, details of all Performance Stock Units or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is Employee's consent.

(c) **Stock Plan Administration Service Providers**. The Company transfers Data, or parts thereof, to Morgan Stanley Smith Barney, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and may share Data with different service providers that serve in a similar manner. Employee acknowledges and understands that the Company's service provider will open an account for Employee to receive and trade shares of Stock acquired under the Plan and that Employee will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of Employee's ability to participate in the Plan.

(d) **International Data Transfers**. The Company and its service provider, are based in the United States. Employee understands that his or her country may have enacted data privacy laws that are different from the laws of the United States. For example, the European Commission has issued only a limited adequacy finding with respect to the United States that applies solely if and to the extent that companies self-certify and remain self-certified under the EU/U.S. Privacy Shield program. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of Employee's Data in the United States

or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, Employee might not have enforceable rights regarding the processing of his or her Data in such countries. The Company's legal basis for the transfer of Data is Employee's consent.

(e) **Data Retention**. *The Company will hold and use the Data only as long as is necessary to implement, administer and manage Employee's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, labor, securities and exchange control laws.*

(f) **Voluntariness and Consequences of Consent Denial or Withdrawal**. *Participation in the Plan is voluntary and Employee is providing the consents herein on a purely voluntary basis. Employee understands that he or she may withdraw consent at any time with future effect for any or no reason. If Employee does not consent, or if Employee later seeks to revoke his or her consent, Employee's salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to offer Performance Stock Units to Employee or administer or maintain Employee's participation in the Plan.*

(g) **Data Subject Rights**. *Employee understands that data subject rights vary depending on the applicable law and that, depending on where Employee is based and subject to the conditions set out in the applicable law, Employee may have, without limitation, the rights to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in Employee's jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Employee understands that he or she can contact Employee's local human resources representative.*

By clicking the "Accept" or similar button implemented into the relevant web page or platform, Employee declares, without limitation, his or her consent to the data processing operations described in this Agreement. Employee understands and acknowledges that he or she may withdraw consent at any time with future effect for any or no reason as described in subsection (f) above.

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 exceptional, 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 Employer 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, and the income and value of the same, are not intended to replace any pension rights or compensation;

(g) the Performance Stock Units and the Stock underlying the Performance Stock Units, and the income and value of the same, are not part of normal or expected compensation or salary for any purpose, including but not limited to, calculation of any severance, resignation, termination, redundancy or end-of-service payments, holiday-pay, bonuses, long-service awards, leave-related payments, pension or retirement benefits, or similar mandatory 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);

(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;

(l) unless otherwise agreed with the Company, the Performance Stock Units and the Stock underlying the Performance Stock Units, and the income and value of the same, are not granted as consideration for, or in connection with, services Employee may provide as a director of a Subsidiary; and

(m) 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 should 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**. Employee acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow Employee to understand the terms of this Agreement and any other documents related to the Plan. 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 or the country of residence of Employee’s broker, Employee may be subject to insider trading restrictions and/or market abuse laws, which may affect Employee’s ability to accept, acquire, sell or otherwise dispose of shares of Stock, rights to shares of Stock (e.g. , Performance Stock Units) or rights linked to the value of shares of Stock during such times as Employee is considered to have “inside information” regarding the Company, as defined by the laws or regulations in Employee’s country. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders placed by Employee before Employee possessed inside information. Furthermore, Employee could be prohibited from (i) disclosing inside information to any third party (other than on a “need to know” basis) and (ii) “tipping” third parties or causing them otherwise to buy or sell securities. Keep in mind third parties include fellow employees. 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 Employee should 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.

21. **Foreign Asset/Account Reporting, Exchange Control Requirements**. Certain foreign asset and/or foreign account reporting requirements and exchange controls may affect Employee’s ability to acquire or hold shares of Stock under the Plan or cash received from participating in the Plan in a brokerage or bank account outside Employee’s country. Employee may be required to report such accounts, assets or transactions to the tax or other authorities in Employee’s country. Employee may also be required to repatriate sale proceeds or other funds received as a result of Employee’s participation in the Plan to Employee’s country through a designated bank or broker and/or within a certain time after receipt. Employee is responsible for

complying with any applicable regulations and should consult his or her personal legal and tax advisors for any details.

[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 2019. 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 should 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, may determine 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.

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.

Tax Information.

The Plan is a plan to which subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

BAHRAIN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Securities Law Information.

The Agreement, the Plan and all other materials Employee may receive regarding participation in the Plan do not constitute advertising or the offering of securities in Bahrain, nor do they constitute an allotment of securities in Bahrain. Any Stock issued upon settlement of the Performance Stock Units will be deposited into a Company-designated brokerage account outside Bahrain. In no event will Stock be issued or delivered in Bahrain. The issuance of Stock pursuant to the Performance Stock Units described herein has not and will not be registered in Bahrain and, hence, the Stock described herein may not be admitted or used for offering, placement or public circulation in Bahrain. Accordingly, Employee may not make any public advertising or announcements regarding the Performance Stock Units or Stock in Bahrain, promote Stock to legal entities or individuals in Bahrain, or sell Stock directly to other legal entities or individuals in Bahrain. Any disposition or sale of Stock must take place outside Bahrain.

CANADA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Performance Stock Units Payable Only in Stock .

The following provision supplements Paragraph 2(e) of the Agreement:

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 specified foreign property on Form T1135 (Foreign Income Verification Statement) if the total cost of his or her specified foreign property exceeds C\$100,000 at any time in the year. Specified foreign property includes shares of Stock acquired under the Plan.

Termination of Employment .

The following provision supplements Paragraph 7(j) of the Agreement:

For purposes of this Award and except as expressly required by applicable legislation, 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 earliest 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); in the event that the date Employee is no longer actively providing services cannot be reasonably determined under the terms of this Agreement and the Plan, the Committee 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).

Securities Law Information .

Employee is permitted to sell shares of Stock acquired under the Plan through the designated broker appointed under the Plan, if any, provided that the sale of such shares takes place outside Canada through the facilities of a stock exchange on which the shares of Stock are listed (*i . e .* , the New York Stock Exchange).

The following provisions shall apply if Employee is a resident of Quebec:

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

Payment for Vested Performance Stock Units

The following provision replaces Paragraph 2(e) of the Agreement:

Notwithstanding anything in the Agreement, the Performance Stock Units do not provide Employee with any right to receive shares of Stock. Upon vesting, the Performance Stock Units shall be settled and paid only in cash through local payroll in an amount equal to the Fair Market Value of the shares of Stock as of the vesting date less any Tax-Related Items. Such payment shall be made as soon as administratively practicable after vesting, but in no event later than thirty days after the vesting date. Further, Employee agrees to bear any currency fluctuation risk between the time the Restricted Stock Units vest and the time the cash payment is distributed to Employee.

FINLAND
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

GERMANY
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information .

Cross-border payments in excess of €12,500 (*e . g .* , proceeds from the sale of shares of Stock), must be reported monthly to the German Federal Bank. Employee is responsible for satisfying the reporting obligation and must file the report electronically by the fifth day of the month following the month in which the payment is received. A copy of the form can be accessed via the German Federal Bank’s website at www.bundesbank.de and is available in both German and English.

Foreign Account/Asset Tax Reporting Information .

If Employee’s acquisition of shares of Stock under the Plan leads to a so-called “qualified participation” at any point during the calendar year, Employee will need to report the acquisition of such shares of Stock when Employees files his or her tax return for the relevant year. A qualified participation is attained if (i) the value of the shares of Stock acquired exceeds EUR 150,000 or (ii) the shares of Stock held exceed 10% of the Company’s total Common Stock.

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 cash dividends paid on such Stock within the period of time required under applicable regulations. 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.

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 of Stock.

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 a Subsidiary of the Company 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 he or she 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 término "Premio" se refiere a la palabra "Performance Stock Units." 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 es la Subsidiaria de la Compañía en México ("KBR-México"), 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.

QATAR
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

ROMANIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Language Consent.

By accepting the grant of Performance Stock Units, Employee acknowledges that he or she is proficient in reading and understanding English and fully understands the terms of the documents related to the grant (the Agreement and the Plan), which were provided in the English language. Employee accept the terms of those documents accordingly.

Consintamant cu privire la limba.

Prin acceptarea acordarii de Performance Stock Units, Employee confirma ca acesta sau aceasta are un nivel adecvat de cunoastere in ce priveste cititirea si intelegerea limbii engleze, a citit si confirma ca a inteles pe deplin termenii documentelor referitoare la acordare (Acordul si Planul), care au fost furnizate in limba engleza. Employee accepta termenii acestor documente in consecinta.

Exchange Control Information.

If Employee remits foreign currency into Romania (e . g . , proceeds from the sale of shares of Stock), Employee may be required to provide the Romanian bank through which the foreign currency is transferred with appropriate documentation explaining the source of the funds.

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 Rules on the Offer of Securities and Continuing Obligations 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

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 Performance 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 Performance Share Units in Singapore, unless such sale or offer in is made (a) more than six months after the Grant Date or (b) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA, or pursuant to, and in accordance with the condition of, any other applicable provisions of the SFA.

Director/CEO Notification Information.

If Employee is the CEO or 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, etc.) in the Company or any Subsidiary or within two business days of Employee becoming the CEO or 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).

THAILAND
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information .

If the proceeds from the sale of shares of Stock or any cash dividends received in relation to such shares of Stock exceed USD 50,000 (or its equivalent amount) in a single transaction, Employee is required to procure the funds within 360 days of the transaction date and immediately repatriate the funds to Thailand upon receipt and either (i) convert the repatriated foreign currency into Thai Baht or (ii) deposit such foreign currency into his/her foreign currency deposit account opened with any commercial bank in Thailand, within 360 calendar days from the date on which the proceeds are repatriated into Thailand. Employee is also required to inform the details of the transaction (*i . e .*, identification information and purpose of the transaction) to the remittance bank acting as an authorized agent of the Bank of Thailand to report the inward remittance of funds into Thailand.

**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 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 .

This section supplements Paragraph 3 of the Agreement.

Without limitation to Paragraph 3 of the Agreement, Employee agrees that he or she is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Employer, as applicable, or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). Employee also agrees to indemnify and keep indemnified the Company and the Employer, as applicable, for any Tax-Related Items that they are required to pay or withhold or have paid or will pay on Employee's behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if Employee is an officer or executive director (as within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. In this case, the amount of any income tax not collected within 90 days of the end of the U.K. tax year in which an event giving rise to the Tax-Related Items occurs 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") subject to the terms and conditions in the Plan and as set forth in this Performance Award Agreement, including any exhibits attached hereto (collectively, the "Agreement") 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 (as defined in Exhibit A) 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. Terms of Performance Units .

- (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, 2019, if the Committee that administers the Plan (the "Committee") determines, in its sole discretion, that calendar year 2019 was not a successful year for the Company. Any such determination by the Committee shall be made on or before March 31, 2020.

- (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) the 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 employment 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 15th 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 applicable laws of descent and distribution or, if you are exclusively subject to the laws of the United States, 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 structure 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, 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 any applicable withholding 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 may 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 exceptional, 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 Employer to terminate your employment or service relationship (if any); (e) you are voluntarily participating in the Plan; (f) the Performance Units, and the income and value of same, 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, holiday-pay, bonuses, long-service awards, leave-related payments, pension or retirement benefits or similar mandatory 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); (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) unless otherwise agreed with the Company, the Performance Units, and the income and value of same, are not granted as consideration for, or in connection with, services you may provide as a director of a Subsidiary; (m) if you

are requested to make repayment under Paragraph 4, you will make repayment immediately; and (n) the following provisions apply only if you are providing services outside the United States: (i) the Performance Units, and the income and value of same, are not part of normal or expected compensation or salary for any purpose; and (ii) 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 should 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** .

(a) ***Declaration of Consent*** . By accepting the Performance Units via the Company's acceptance procedure, you are declaring that you agree with the data processing practices described herein and consent to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned below, including recipients located in countries which may not have a similar level of protection from the perspective of the data protection laws in your country.

(b) ***Data Collection and Usage*** . The Company and the Employer may collect, process and use certain personal information about you, including, but not limited to, your name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in the Company and details of all Performance Units, whether vested or unvested, held in your favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is your consent.

(c) ***Plan Administration Service Providers*** . The Company may select a service provider to assist in the implementation, administration and management of the Plan and the Company may share Data with such service provider. In such case, you may be asked to agree on separate terms and data processing practices with the service provider(s), which will be a condition of your ability to participate in the Plan.

(d) ***International Data Transfers*** . The Company is based in the United States, which means that it will be necessary for Data to be transferred to, and processed in, the United States. You understand that your country may have enacted data privacy laws that are different from the laws of the United States. For example, the European Commission has issued only a limited adequacy finding with respect to the United States that applies solely if and to the extent that companies self-certify and remain self-certified under the EU/U.S. Privacy Shield program. As a result, in the absence of appropriate safeguards such as standard data protection clauses, the processing of your Data in the United States or, as the case may be, other countries might not be subject to substantive data processing principles or supervision by data protection authorities. In addition, you might not have

enforceable rights regarding the processing of your Data in such countries. The Company's legal basis for the transfer of Data is your consent.

(e) **Data Retention**. *The Company will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, labor and exchange control laws.*

(f) **Voluntariness and Consequences of Consent Denial or Withdrawal**. *Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. You understand that you may withdraw consent at any time with future effect for any or no reason. If you do not consent, or if you later seek to revoke your consent, your salary from or employment and career with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to offer Performance Units to you or administer or maintain your participation in the Plan.*

(g) **Data Subject Rights**. *You understand that data subject rights vary depending on the applicable law and that, depending on where you are based and subject to the conditions set out in the applicable law, you may have, without limitation, the rights to (i) request access or copies of Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in your jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you understand that you can contact your local human resources representative.*

By clicking the "Accept" or similar button implemented into the relevant web page or platform, you declare, without limitation, your consent to the data processing operations described in this Agreement. You understand and acknowledge that you may withdraw consent at any time with future effect for any or no reason as described in subsection (f) above.

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** . You acknowledge and represent that you are proficient in the English language or have consulted with an advisor who is sufficiently proficient in English, as to allow you to understand the terms of this Agreement and any other documents related to the Plan. 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 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

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 any applicable law prior to the payout of the Performance Units.

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.
22. **Foreign Asset/Account Reporting, Exchange Control Requirements** . Certain foreign asset and/or foreign account reporting requirements and exchange controls may affect your ability to hold cash received from participating in the Plan in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You may also be required to repatriate funds received as a result of your participation in the Plan to your country through a designated bank or broker and/or within a certain time after receipt. You are responsible for complying with any applicable regulations and you should consult your personal legal and tax advisors for any details.

[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, 2019, and ending December 31, 2021.

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:

2019 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)
1/1/2019	\$ 20.00	
3/31/2019	\$ 22.00	110.0
6/30/2019	\$ 24.00	120.0
9/30/2019	\$ 21.00	105.0
12/31/2019	\$ 20.00	100.0
3/31/2020	\$ 18.00	90.0
6/30/2020	\$ 22.00	110.0
9/30/2020	\$ 25.00	125.0
12/31/2020	\$ 28.00	140.0
3/31/2021	\$ 31.00	110.7
6/30/2021	\$ 33.00	117.9
9/30/2021	\$ 30.00	107.1
12/31/2021	\$ 28.00	100.0

$$\sum_{q=1}^{q=12} (x_q / x) = 1,335.7$$

$$\sum_{q=1}^{q=12} (x_q / x) = 111.3$$

 $q=1$

12

* 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	Jacobs Engineering Group Inc.
Booz Allen Hamilton Holding Corporation	Leidos Holdings, Inc.
CACI International Inc	McDermott International, Inc.
EMCOR Group, Inc.	ManTech International Corporation
Fluor Corporation	Quanta Services, Inc.
Science Applications International Corporation	Vectrus, Inc.

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

		Threshold	Target	Maximum
Percentile	<20%	20%	50%	≥90%
TSR Payout	0%	25%	100%	200%

LTI TSR Calculation Method			
	Ranking	Percentile *	TSR Payout **
Maximum	1	100.0%	200.0%
	2	91.7%	200.0%
	3	83.3%	183.3%
	4	75.0%	162.5%
	5	66.7%	141.8%
Target	6	58.3%	120.8%
	7	50.0%	100.0%
	8	41.7%	79.3%
	9	33.3%	58.3%
Threshold	10	25.0%	37.5%
	11	16.7%	0.0%
	12	8.3%	0.0%
	13	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

$$\text{Percentile} = \frac{(n - r)}{(n - 1)} * 100\%$$

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 12 companies

$$\frac{(12 - 8)}{(12 - 1)} * 100\% = 36.4\%$$

KBR ranked 7th out of 13 companies

$$\frac{(13 - 7)}{(13 - 1)} * 100\% = 50.0\%$$

KBR ranked 4th out of 11 companies

$$\frac{(11 - 4)}{(11 - 1)} * 100\% = 70.0\%$$

Example 4

KBR ranked 9th out of 13 companies

$$\frac{(13 - 9)}{(13 - 1)} * 100\% = 33.3\%$$

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:

		<u>Threshold</u>	<u>Target</u>	<u>Maximum</u>
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.

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 exchange control and other laws in effect in the respective countries as of February 2019. Such laws are often complex and change frequently. Note 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 should 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, may determine 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.

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.

BAHRAIN
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

CANADA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Foreign Account/Asset Tax Reporting Information .

You may be required to report your specified foreign property on Form T1135 (Foreign Income Verification Statement) if the total cost of your specified foreign property exceeds C\$100,000 at any time in the year. Specified foreign property includes cash and may include unvested Performance Units.

Termination of Employment.

The following provision supplements Paragraph 7(j) of the Agreement:

For purposes of this Award and except as expressly required by applicable legislation, 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 earliest of (1) the date upon which your employment with the Company or any of its Subsidiaries is terminated; (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); in the event that the date you are no longer actively providing services cannot be reasonably determined under the terms of this Agreement and the Plan, 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).

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 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 and the administrators of the Plan to disclose and discuss the Plan with their advisors. You further authorize the Company and any Subsidiary to record such information and to keep such information in your file.

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

Payment of Vested Performance Units.

The following supplements Paragraph 3 of the Agreement:

Notwithstanding anything in the Agreement, any payment in connection with the vesting of the Performance Units will be paid to you in cash through local payroll. Further, you agree to bear any currency fluctuation risk between the time the Performance Units vest and the time the cash payment is distributed to you.

FINLAND
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

GERMANY
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

Cross-border payments in excess of €12,500 (*e . g .*, the payout of the Performance Units), must be reported monthly to the German Federal Bank. You are responsible for satisfying the reporting obligation and must file the report electronically by the fifth day of the month following the month in which the payment is received. A copy of the form can be accessed via the German Federal Bank's website at www.bundesbank.de and is available in both German and English.

INDIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information .

You must repatriate the proceeds from the settlement of your Performance Units within the period of time required under applicable regulations. 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.

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 a Subsidiary of the Company 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 término "Premio" se refiere a la palabra "Performance Units." 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.*
- (1) 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 es la Subsidiaria de la Compañía en México ("KBR-México"), 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.

¹ El término "Premio" se refiere a la palabra "Performance Units."

QATAR
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country-specific provisions.

B-12

ROMANIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Language Consent.

By accepting the grant of Performance Units, you acknowledge that you are proficient in reading and understanding English and fully understand the terms of the documents related to the grant (the Agreement and the Plan), which were provided in the English language. You accept the terms of those documents accordingly.

Consimțământ cu privire la limba.

Prin acceptarea acordării Unităților de Performanță, recunoașteți că aveți competență în citirea și înțelegerea limbii engleze și înțelegeți pe deplin termenii documentelor legate de grant (Acordul și Planul), care au fost furnizate în limba engleză. Acceptați termenii acestor documente în consecință.

Exchange Control Information.

If you remit foreign currency into Romania (e . g ., the payout of the Performance Units), you may be required to provide the Romanian bank through which the foreign currency is transferred with appropriate documentation explaining the source of the funds.

SAUDI ARABIA
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

SINGAPORE
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Director / CEO Notification Information.

If you are the CEO or 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 the CEO or 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).

THAILAND
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Exchange Control Information.

If the cash proceeds received in connection with the payout of the Performance Units exceed USD 50,000 (or its equivalent amount) in a single transaction, you are required to procure the funds within 360 days of the transaction date and immediately repatriate the funds to Thailand upon receipt and either (i) convert the repatriated foreign currency into Thai Baht or (ii) deposit such foreign currency into your foreign currency deposit account opened with any commercial bank in Thailand, within 360 calendar days from the date on which the proceeds are repatriated into Thailand. You are also required to inform the details of the transaction (*i . e .* , identification information and purpose of the transaction) to the remittance bank acting as an authorized agent of the Bank of Thailand to report the inward remittance of funds into Thailand.

UNITED ARAB EMIRATES
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

There are no country specific provisions.

UNITED KINGDOM
KBR, INC. 2006 STOCK AND INCENTIVE PLAN

Withholding of Taxes.

This section supplements Paragraph 6 of the Agreement:

Without limitation to Paragraph 6 of the Agreement, you agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company or the Employer, as applicable, or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). You also agree to indemnify and keep indemnified the Company and the Employer, as applicable, for any Tax-Related Items that they are required to pay or withhold or have paid or will pay on your behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if you are an officer or executive director (as within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. In this case, the amount of any income tax not collected from or paid by you within 90 days of the end of the U.K. tax year in which an event giving rise to the Tax-Related Items occurs may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You acknowledge that you 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. 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: May 3, 2019

/s/ Stuart Bradie

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: May 3, 2019

/s/ Mark Sopp

Mark Sopp
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER SECTION 906 OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C. §1350**

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, 2019 , 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

Stuart Bradie
Chief Executive Officer

Date: May 3, 2019

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER SECTION 906 OF THE SARBANES OXLEY ACT OF 2002, 18 U.S.C. §1350**

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, 2019 , 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

Mark Sopp
Chief Financial Officer

Date: May 3, 2019