JACOBS ENGINEERING GROUP INC /DE/

FORM 10-K
(Annual Report)

Filed 12/27/96 for the Period Ending 09/30/96

Address	155 NORTH LAKE AVENUE PASADENA, CA 91101
Telephone	6265783500
CIK	0000052988
Symbol	JEC
SIC Code	1600 - Heavy Construction Other Than Bldg Const - Contractors
Industry	Construction Services
Sector	Capital Goods
Fiscal Year	10/02

JACOBS ENGINEERING GROUP INC /DE/

FORM 10-K
(Annual Report)

Filed 12/27/1996 For Period Ending 9/30/1996

Address	1111 S ARROYO PARKWAY
	PASADENA, California 91105-3063
Telephone	626-578-3500
CIK	0000052988
Industry	Construction Services
Sector	Capital Goods
Fiscal Year	09/30

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

FORM 10-K

(Mark one)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 [FEE REQUIRED]

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _________________ to ___________________
Commission File Number 1-7463

JACOBS ENGINEERING GROUP INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	95-4081636
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)
251 SOUTH LAKE AVENUE, PASADENA, CALIFORNIA	91101
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

Registrant's telephone number, including area code (818) 449-2171

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $1 par value	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. (X) YES ( ) NO

INDICATE BY CHECK-MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF THE REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. ( )

The aggregate market value of the Registrant's voting stock held by non- affiliates was approximately $502,823,700 as of December 26, 1996, based upon the last reported sales price on the New York Stock Exchange. For this purpose, the Registrant considers Dr. Joseph J. Jacobs to be its only affiliate.

As of December 26, 1996, the Registrant had outstanding 25,679,827 shares of its common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Part II: Annual Report for the fiscal year ended September 30, 1996, only portions of which are incorporated by reference.

Part III: Proxy Statement for the Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after the close of the Registrant's fiscal year, only portions of which are incorporated by reference.

PART I

ITEM 1. BUSINESS

GENERAL

Jacobs Engineering Group Inc. (the "Company") is one of the largest professional service firms in the United States providing engineering, design and consulting services; construction and construction management services; and process plant maintenance services to a broad range of industrial, commercial and governmental clients. The Company provides its services through offices and subsidiaries located throughout the United States, the United Kingdom and Ireland, as well as through affiliated entities located throughout Europe and India.

The Company focuses its services on selected industry groups and markets including chemicals; petroleum refining; semiconductor; pulp and paper; pharmaceuticals and biotechnology; federal programs; and buildings and infrastructure (this last group includes transportation and health care projects, commercial and governmental buildings, and other industrial projects).

In July 1994, the Company acquired all of the engineering and construction management services businesses of CRSS Inc. The Company acquired substantially all of the assets, subject to certain assumed liabilities, of CRS Sirrine Engineers, Inc., and all of the issued and outstanding equity securities of CRSS Constructors, Inc. and CRSS International, Inc. Together, these businesses provide comprehensive design, engineering and construction management services to government and commercial clients in the pulp and paper, semiconductor, and buildings and infrastructure markets, among others, primarily within the continental United States.

In January 1996, the Company completed the purchase of a 49% equity interest in the Serete Group. Headquartered in France, the Serete Group provides engineering, design, construction and construction management services to commercial and governmental clients located throughout Europe. The purchase price totaled $19.0 million, and the purchase agreement provides for the Company to increase its ownership interest if the Serete Group achieves certain operating goals over the two years immediately following the initial investment. The Company accounts for its investment in the Serete Group using the equity method.

The Company is a Delaware corporation and was originally incorporated in 1957 as a successor to a business organized by Dr. Joseph J. Jacobs in 1947. The Company's common stock has been publicly held since 1970 and is currently listed on the New York Stock Exchange.

SERVICES PROVIDED

The Company offers three broad categories of professional services:
engineering (which includes design, consulting and other related services); construction and construction management; and plant maintenance. The Company will often establish a relationship with a client where it is awarded a contract for the initial phases of an engineering and/or construction project. These services may include feasibility studies, consulting or design work. Because of the range of technical expertise the Company possesses, it is often retained for additional work as the project develops. The scope of services provided by the Company, therefore, ranges from consulting to complete single-responsibility contracts.

The following table sets forth the total revenues of the Company from each of its three basic service categories for each of the five years ended September 30, 1996 (in thousands of dollars):

	1992	1993	1994	1995	1996
Engineering Services	$ 355,483	$ 453,247	$ 476,491	$ 588,399	$ 627,622
Field Services:					
Construction	503,406	424,259	456,750	881,574	925,681
Maintenance	247,538	265,420	232,513	253,084	245,667
	$1,106,427	$1,142,926	$1,165,754	$1,723,057	$1,798,970

Engineering

The Company employs all of the engineering and related disciplines to engineer and design modern process plants (including projects for clients in the chemicals, pharmaceuticals and biotechnology, refining, food, and minerals and fertilizers industries), semiconductor facilities, pulp and paper plants, and other facilities (such as high technology manufacturing operations and other specialized plants).

With respect to the environmental area of the Company's business (see "Industry Groups and Markets - Federal Programs", below), the Company employs all of the requisite engineering, scientific, public health and related skills to consult, investigate, study, manage and provide remedial engineering for major environmental programs. The Company's capabilities in process engineering and construction combined with its environmental expertise allow it to offer its clients a wide range of services as a single-source provider. Accordingly, the Company has been awarded contracts requiring a combination of traditional process engineering and environmental services.

The Company also employs all of the professional and technical expertise necessary to provide a broad range of consulting services including: performing pricing studies, market analyses and financial projections necessary in determining the feasibility of a project; performing gasoline reformulation modeling; analyzing and evaluating layout and mechanical designs for complex processing plants; analyzing automation and control systems; analyzing, designing and executing biocontainment strategies; developing and performing process protocols in respect of Federal Drug Administration mandated qualification/validation requirements; and performing geological and metallurgical studies.

Also included in the category of "Engineering" are all of the related support services necessary for the proper and effective delivery of the Company's engineering and related services. Among these are cost engineering, planning, scheduling, procurement, estimating, project accounting, quality and safety.

Construction

The Company provides traditional field construction as well as construction management services to private and public sector clients in virtually all of the industries to which it provides engineering services. The Company can also provide its clients with Advanced Construction Technology ("ACT")(R). ACT is an advanced form of off-site engineering, design, fabrication and assembly, and field erection. ACT provides clients with an alternative approach to traditional methods of engineering and construction which can significantly reduce new plant costs. In the environmental area, recent contract awards from clients in the public sector require the Company to provide environmental remedial construction services.

The Company's field construction activities are focused primarily on those construction projects for which the Company has performed the engineering and design work. By focusing its construction efforts on such projects, the Company avoids the risk of constructing complex plants based on designs prepared by others. The financial risk to the Company of constructing complex plants based on designs prepared by third parties may be particularly significant on fixed- price contracts.

The Company actively markets all of its services to clients on projects where the scope of services required is within the Company's fields of expertise. The Company believes that by integrating and bundling its services (i.e., providing design, engineering and construction services on the same project) it can price its services more competitively and can enhance the overall contract profitability. The Company also believes that clients benefit from such an approach because they can look to the Company as a single-source provider of design/build services. However, the Company will continue to pursue construction-only projects where it can negotiate pricing and other contract terms acceptable to the Company.

In the area of construction management, the Company can provide a wide range of services to its clients. The Company may act as the program director, whereby it oversees, on behalf of the owner of the project, the complete planning, design and construction phases of the project. Or, its services may be limited to providing construction consulting, estimating, scheduling or value engineering services.

Maintenance

Maintenance generally refers to all of the tasks required to keep a plant in day-to-day operations, including the repair and replacement of pumps, piping, heat exchangers and other equipment. It also includes "turnaround" work which involves major refurbishment which can only be performed when the plant is shut down. Since shutdowns are expensive to the owners of the plant, turnaround work will often require maximizing the number of skilled craft personnel that can work efficiently on a project on a 24 hours per day, seven days per week basis. The Company employs sophisticated computer scheduling and programming to complete turnaround projects quickly and it maintains contact with a large pool of skilled craftsmen it can hire as needed on maintenance and turnaround projects.

Although the profit margins that can be realized from maintenance services are generally lower than those associated with the other services the Company provides, the costs to support maintenance activities are also generally lower than those associated with the Company's other services. Furthermore, since maintenance contracts are normally cost-reimbursable in nature, they present less risk to the Company. Additionally, although engineering and construction projects may be of a short-term nature, maintenance services often result in long-term relationships with clients. For example, the Company has been providing maintenance services at several major process plants for over 30 years. This aspect of maintenance services greatly reduces the selling costs in respect of such services.

INDUSTRY GROUPS AND MARKETS

The Company has chosen to focus its efforts on the following industry groups and markets: chemicals; petroleum refining; semiconductor; buildings and infrastructure; pulp and paper; pharmaceuticals and biotechnology; and U.S. federal programs. The Company believes these industry groups and markets have sufficient common needs to permit cross-utilization of the Company's resources which help to mitigate the negative effects of a downturn in a single industry.

The following table sets forth the total revenues of the Company from each of these industry groups and markets for each of the five years ended September 30, 1996 (in thousands of dollars):

	1992	1993	1994	1995	1996
Chemicals	$ 321,991	$ 306,296	$ 315,991	$ 377,731	$ 452,448
Refining	362,005	404,462	372,769	480,472	417,739
Semiconductor	120,022	70,249	83,477	264,492	268,520
Buildings and Infrastructure	104,799	87,946	88,228	174,183	189,834
Pulp and Paper	-	-	7,258	85,476	170,553
Pharmaceuticals and Biotechnology	29,346	80,248	97,301	123,683	147,840
Federal Programs	105,608	161,964	175,846	175,200	145,275
Other	62,656	31,761	24,884	41,820	6,761
	$1,106,427	$1,142,926	$1,165,754	$1,723,057	$1,798,970

In the area of federal programs, the Company historically has provided primarily environmental restoration, engineering and consulting services. However, several of the more recent contracts awarded to the Company are for engineering, construction and project management services for the remediation of sites contaminated with hazardous wastes. Maintenance services are provided primarily to the chemicals and refining industries.

Chemicals

The Company has always considered the chemicals industry a cornerstone of its business. Revenues from this industry group have consistently accounted for a significant share of each year's total revenues. Historically, whenever the Company has sought to expand its business, the impact of such expansion on the Company's chemicals business has always been an important consideration. The Company's first office outside the United States was opened in support of a bulk-chemical project for a large, U.S. company seeking to expand its operations internationally. In 1993, when the Company sought to expand its international operations, it acquired H&G Process Contracting Limited ("Humphreys & Glasgow"), based in England. Humphreys & Glasgow is an engineering and construction business with broad-based process engineering and design skills, and a large client base in the chemicals, pharmaceuticals and refining industries. And as discussed above, in January 1996, the Company completed its purchase of a 49% equity interest in the Serete Group (headquartered in France). The Serete Group possesses strong engineering skills, and services a large number of clients in the chemicals industries, among others.

Currently, the Company furnishes its full line of services to its clients operating in the chemicals industries. The Company has provided technical, financial, marketing and management consulting services to many of the largest chemical manufacturers in the world. The Company can perform feasibility studies, as well as preliminary and detailed design and engineering services, construction, and construction management services to its clients in this industry. Typical projects range from high-pressure polymer processes for the production of bulk chemicals, to low-pressure, multi-product processes for the production of fine and specialty chemicals. The Company has also completed projects dealing with the modernization and upgrading of polyethelene and liquid polymer production facilities. The Company has extensive knowledge of, and experience with, advance polymer technologies, as well as many specialty chemicals.

Over the years, the Company has continued to grow the chemicals business through acquisitions and internal initiatives. As discussed above, the Company acquired Humphreys & Glasgow in 1993. Since then, the Company has expanded its involvement with U.S.-based companies doing business in the U.K., as well as expanding its European client base.

Refining

The Company provides its full line of services to its clients in the petroleum refining industry. Typical projects in the refining area include retrofits, revamps or expansions of existing plants, upgrading individual process units within refineries, new construction and maintenance services. The Company also provides a broad range of consulting services to its clients, including feasibility and multi-client studies.

Over the past several years, many of the Company's contract awards in the refining area have been for plants producing oxygenates and other high-octane fuel blending components for gasoline (such components are required by the Clean Air Act of 1990 in reformulated gasolines in order to reduce the emissions of unburned hydrocarbons and carbon monoxide from automobiles), as well as plants that hydrotreat various fuel fractions to reduce the sulfur content of blended products. The Company has completed several major projects to design, engineer, procure and construct methyl tertiary butyl ether ("MTBE") units and tertiary amyl butyl ether ("TAME") units for a number of major refiners at facilities located throughout the United States. The Company has also utilized its off- site construction capabilities in the construction and installation of these units. The use of off-site construction can help decongest the construction site and allow for parallel construction to proceed simultaneously with the modular activity.

A significant aspect of the Company's service to this industry is in the area of contract maintenance. The Company has contracts with several major oil refiners for on-site maintenance and turnaround activities. Many of these contracts are evergreen in nature and tend to be extended over many years.

Another important aspect of this industry group has been the development of performance-based partnering relationships with clients. Over the past several years, the Company has entered into evergreen engineering services contracts with several clients. Such agreements have been both site-specific and national in scope. Often, these alliances provide the Company with opportunities to expand its services to include fully-integrated engineering, procurement, construction and construction management services. The Company has broadened this area of its business through internal growth and acquisitions. One acquisition completed in 1993 expanded the Company's geographic presence to include the West Coast refining market; the acquisition also added to its client base.

Semiconductor

The Company provides engineering, procurement, construction, and construction management services to its clients in the semiconductor industry. Typical projects in this industry include multi-million dollar state-of-the-art wafer fabrication and crystal growing facilities used to produce microprocessors for computers and other consumer electronic devices. Generally, projects in the semiconductor industry are more complex than other facilities projects and have greater emphasis on cleanroom, and similar high-end technologies.

Buildings and Infrastructure

Buildings and infrastructure refers to those contracts requiring the Company to provide comprehensive architectural, engineering, design, construction and/or construction management services for projects such as high technology manufacturing operations, specialized plants for clients in the food industry, and research and development facilities that require technically complex structures. It also includes programming, design, program management and construction management services for public, institutional and corporate clients. Typical projects include civic centers, correctional facilities, health care facilities and transportation systems, as well as multi-purpose buildings for industrial, commercial and government clients.

Pulp and Paper

The Company provides a broad range of engineering and construction services to its clients in the pulp and paper industry. Additionally, the Company provides strategic planning and conceptual studies for many of its clients, as well as environmental services relating to compliance with EPA emission standards. Typical projects in the pulp and paper area range from small mill projects to complex, multi-million dollar paper machine rebuilds, mill expansions and construction of new facilities. Such projects encompass all areas of a mill, including woodyards, pulping and bleaching, papermaking, chemical recovery, material handling and power and steam generation. In the area of papermaking, the Company's expertise includes tissue and towel, coated and uncoated fine papers, newsprint and linerboard. The Company's expertise also includes the converting and packaging of paper products for consumer use. The Company has been instrumental in the design and installation of state-of-the-art facilities for recycle fiber, deinking and pulp bleaching. Chemical recovery and power generation are an integral part of the papermaking process. The Company has broad experience in these areas and has applied its expertise in the engineering and construction of such facilities for the pulp and paper industry.

As with clients in the petroleum refining industry, the Company has established formal partnering arrangements with certain clients in the pulp and paper industry. Such arrangements provide for the delivery of on-site engineering services, and often expand to include procurement, construction and construction management services.

Pharmaceuticals and Biotechnology

The Company furnishes its full line of services to its clients operating in the pharmaceuticals and biotechnology industries. The scope of services the Company can provide its clients in these markets include feasibility studies, preliminary and detailed design and engineering services, construction, and construction management services. The Company can also provide conceptual design services with emphasis on production strategy, current good manufacturing practices ("cGMP") compliance, regulatory compliance and qualification/validation services for pharmaceutical and biotechnology research, development and production facilities. Accordingly, the Company is fully capable of executing multi-million dollar, single-responsibility projects in the areas of pharmaceuticals and biotechnology.

Typical projects for clients in this industry include sterile fill, pharmaceutical manufacturing facilities, state-of-the-art biotechnology laboratories and pilot plants, and design services for technologically-advanced barrier micro-environment systems. Many projects in this industry group require facilities with highly complex environmental controls and advanced automation systems for manufacturing and distribution management. Over the past several years, the Company has expanded this area of its business through acquisitions and internal growth.

Federal Programs

Most of the Company's Federal Programs revenues are derived from environmental projects. The Company believes it is one of the leading providers in the United States of environmental restoration, engineering and consulting services, including hazardous waste management and site cleanup and closure. Although this business continues to represent an important area of the Company's overall operations, revenues have declined over the past two years. The decline in revenues occurred in large part due to reduced funding levels for government projects, combined with an overall decline in governmental regulatory and enforcement actions. Currently, there are numerous proposals being offered for consideration to overhaul the U.S. federal regulatory process, the ultimate outcome of which cannot yet be determined. Nevertheless, the Company believes that the U.S. Department of Energy ("DOE") and Department of Defense ("DOD") will continue to devote increasingly more of their resources to site remediation and cleanup. The Company experienced an increase in activity in this area of its business during the latter part of fiscal 1996, and believes that demand for environmental services will continue to grow in the future.

Many of the projects for the U.S. government span several years. For larger programs, the scope of services is such that the Company sometimes teams with other companies in order to execute the project. The Company is currently providing environmental restoration, engineering, construction and site operations and maintenance services for a number of U.S. federal government agencies including the DOE, DOD, and the U.S. Environmental Protection Agency.

Typical projects for U.S. government agencies include the preparation of feasibility studies and performance of remedial investigations, engineering, design and remediation services on several national programs. Many of the Company's contracts relate to the Comprehensive Environmental Response Compensation and Liability Act of 1980 ("CERCLA" or "Superfund") and the related Superfund Amendments and Reauthorization Act of 1986 ("SARA"), as reauthorized in 1990. More recently, the Company has been awarded multi-year contracts from the U.S. Air Force to provide full-service remedial action services for the U.S. Air Force Center for Environmental Excellence ("AFCEE") at several bases located in the U.S., as well as a "nationwide" award to provide services under the U.S. Base Realignment and Closure ("BRAC") program. And in 1995, the Company was awarded the Alaska TERC (Total Environmental Restoration Contract). The Alaska TERC is a multi-year program to provide engineering and site cleanup services throughout that state. The Company also provides project management services over site cleanup activities at various government installations, as well as detailed scientific and support services, groundwater restoration management and action plans, and services relating to the decommissioning of nuclear weapons production and other defense facilities.

BACKLOG

For information regarding the Company's backlog, reference should be made to Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations, incorporated by reference in this report.

CUSTOMERS

For the years ended September 30, 1992, 1993, 1994, 1995 and 1996, revenues from agencies of the U.S. federal government accounted for 9.4%, 14.1%, 15.4%, 11.4% and 8.7%, respectively, of total revenues. Due to the amount of pass-through costs (see "Contracts" below) that may be incurred on construction and maintenance projects, it is not unusual for a client in the private sector to account for more than 10% of revenues in any given year. For the year ended September 30, 1992, two clients in the private sector accounted for 12.5% and 10.8%, respectively, of total revenues. A different client accounted for 11.6% and 13.1% of total revenues in 1994 and 1995, respectively. No single client in the private sector accounted for 10% or more of total revenues in 1993 or 1996.

FOREIGN OPERATIONS

For the years ended September 30, 1992, 1993, 1994, 1995 and 1996, revenues from projects outside of North America were approximately 16.3%, 10.8%, 5.6%, 5.4% and 10.3%, respectively, of total revenues. For the year ended September 30, 1992, substantially all such revenues related to the Company's offices in Ireland. Beginning with the year ended September 30, 1993, such revenues relate primarily to the Company's offices in the U.K. and Ireland.

As discussed above, during fiscal 1996, the Company acquired a 49% equity interest in the Serete Group (headquartered in France). The Serete Group has operations throughout Europe, and executes projects for commercial clients in the chemicals, pharmaceuticals and semiconductor industries, as well as buildings and infrastructure projects for both commercial and governmental clients. The Company also has operations in India through its 40% interest in an engineering and design firm specializing in projects for clients in the chemical, pharmaceuticals and petroleum refining markets. The Company has executed contracts jointly with the Indian company, and expects to expand this activity in the future. The Company accounts for the Indian company using the equity method.

CONTRACTS

While there is considerable variation in the pricing provisions of the contracts undertaken by the Company, they can generally be grouped into three broad categories: Cost-reimbursable; guaranteed maximum price and fixed-price. The following table sets forth the percentages of total revenues represented by these types of contracts during each of the five years ended September 30, 1996:

	1992	1993	1994	1995	1996
Cost-reimbursable	87%	90%	83%	88%	82%
Guaranteed maximum price	4	3	8	1	2
Fixed-price	9	7	9	11	16

In accordance with industry practice, most of the Company's contracts are subject to termination at the discretion of the client. Contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of such termination.

When the Company is directly responsible for engineering, design, procurement and construction of a project or the maintenance of a process plant, the Company reflects the cost of materials, equipment and subcontracts in both revenues and costs. On other projects, where the client elects to pay for such items directly, these amounts are not reflected in either revenues or costs. The approximate amounts of such costs included in revenues for the years ended September 30, 1992, 1993, 1994, 1995 and 1996 totaled $659.2 million, $610.7 million, $629.0 million, $1,001.3 million and $1,019.5 million, respectively.

Cost-reimbursable contracts

Cost-reimbursable contracts provide for reimbursement of costs incurred by the Company plus a predetermined fee, or a fee based on a percentage of the costs incurred. The Company prefers this type of contract since it believes that the primary basis for its selection should be its technical expertise and professional qualifications rather than price considerations.

Guaranteed maximum price contracts

Guaranteed maximum price contracts are performed in the same manner as cost-reimbursable contracts; however, the total actual cost plus the fee cannot exceed the guaranteed price negotiated with the client. If the total actual cost of the contract exceeds the guaranteed maximum price, then the Company will bear all or a portion of the excess. In those cases where the total actual cost and fee are less than the guaranteed price, the Company will often share the savings on a predetermined basis with the client.

Fixed-price contracts

Fixed-price contracts include both "negotiated fixed-price" contracts and "lump sum bid" contracts. Under a negotiated fixed-price contract, the Company is first selected as the contractor, and then the contract price is negotiated. Negotiated fixed-price contracts frequently exist in single-responsibility arrangements where the Company has the opportunity to perform engineering and design work before negotiating the total price of the project. Under lump sum bid contracts, the Company must bid against other contractors based upon specifications furnished by the client. This type of pricing presents certain inherent risks, including the possibility of ambiguities in the specifications, problems with new technologies and economic and other changes that may occur over the contract period, that are reduced by the negotiation process. Thus, although both types of contracts involve a firm price for the client, the lump sum bid contract provides the greater degree of risk to the Company. However, because of economies that may be realized during the contract term, both negotiated fixed-price and lump sum bid contracts may offer greater profit potential than the other types of contracts.

COMPETITION

The Company is engaged in a highly competitive business. Some of its competitors are larger than the Company, or are subsidiaries of larger companies, and may possess greater resources than the Company. Furthermore, because the engineering aspect of the business does not usually require large amounts of capital, there is relative ease of market entry for a new potential entrant possessing acceptable professional qualifications. Accordingly, the Company competes with both national and international firms in sizes ranging from very large to a wide variety of small, regional and specialty firms.

The extent of the Company's competition varies according to the industries and markets it serves, as well as the regions in which the Company is located. The Company's largest competitors for engineering, construction and maintenance services for process plants include such well-known companies as Bechtel Group, Inc., Fluor Corporation, Foster-Wheeler Corp., Raytheon Engineers, M.W. Kellogg, Parsons Co., Brown & Root, Inc., and John Brown. In the semiconductor industry, the Company's principal competitor is Industrial Design Corporation. In the area of pulp and paper, the Company's principal competitors include BE&K, Brown & Root, and Rust International. In the area of environmental engineering and hazardous waste cleanup, the Company's principal competitors include many of the companies listed above, as well as other specialized companies such as IT Corporation, ICF Kaiser and Roy F. Weston, Inc.

EMPLOYEES

At September 30, 1996, the Company had approximately 7,350 full-time employees. Additionally, as of September 30, 1996, there were approximately 6,800 persons employed by the Company in the field on a project basis. The number of such field employees varies in relation to the number and size of the maintenance and construction projects in progress at any particular time.

EXECUTIVE OFFICERS OF THE COMPANY

Pursuant to the requirements of Item 401(b) and 401(e) of Regulation S-K, the following information is being furnished with respect to the Company's executive officers:

Name	Age	Position with the Company	Year Joined the Registrant
Joseph J. Jacobs	80	Director and Chairman of the Board	1947
Noel G. Watson	60	President, Chief Executive Officer and Director	1965
Robert M. Barton	74	Secretary	1957
William R. Kerler	67	Executive Vice President, Operations	1980
Donald J. Boutwell	59	Group Vice President, Field Services	1984
Andrew E. Carlson	63	Group Vice President, Field Services	1990
Socrates S. Christopher	61	President, Jacobs - Sirrine Engineers (a Division of Jacobs Engineering Group Inc.)	1994
Arlan C. Emmert	51	Group Vice President, Western Region	1985
Thomas R. Hammond	45	Group Vice President, Central Region	1975
John McLachlan	50	Group Vice President, Northern Region	1974
Richard J. Slater	50	Group Vice President, European Region	1980
Roger L. Williams	58	Group Vice President, Southern Region	1983
Gregory J. Landry	48	Senior Vice President, Quality and Safety	1984
Craig L. Martin	47	Senior Vice President, General Sales and Marketing	1994
Paul A. Miskimin	56	Senior Vice President, Federal Programs	1987
John W. Prosser, Jr.	51	Senior Vice President, Finance and Administration and Treasurer	1974
Nazim G. Thawerbhoy	49	Senior Vice President and Controller	1979
William C. Markley, III	51	Vice President, Law	1981

All of the officers listed in the preceding table serve in their respective capacities at the pleasure of the Board of Directors and, with the exception of Messrs. Christopher and Martin, have served in executive capacities with the Company or have been part of its management for more than five years. Prior to joining the Company in 1994, Messrs. Christopher and Martin were part of the management of CRSS Inc. or one of its subsidiaries for at least five years. Mr. Christopher retired from full-time employment with the Company effective December 1, 1996, but will continue to make his services available as a Senior Consultant focusing on strategic acquisitions, marketing studies and other initiatives, particularly for the Pulp and Paper industry.

ITEM 2. PROPERTIES

The Company owns and leases offices for its professional, technical and administrative staff totaling approximately 1.8 million square feet. The following is a list of the Company's principal locations:

Country	State	City
U.S.A.	California	Pasadena
		Long Beach
		Martinez
		Sacramento
	Arizona	Phoenix
	Colorado	Denver
	Florida	Lakeland
	Louisiana	Baton Rouge
	New Mexico	Albuquerque
	North Carolina	Raleigh
	Ohio	Cincinnati
	Oregon	Portland
	Pennsylvania	Philadelphia
	South Carolina	Greenville
		Orangeburg
	Texas	Houston
	Tennessee	Oak Ridge
	Virginia	Arlington
United Kingdom	-	London
	-	Glasgow
	-	Manchester
Republic of Ireland	-	Cork
	-	Dublin

In addition to these properties, the Company leases smaller, project offices located throughout the United States. The Company maintains sales offices at many of its principal locations. The Company has equipment yards located in Houston, Texas and Baton Rouge, Louisiana. The majority of the Company's offices are leased. The Company also rents a portion of its construction equipment on a short-term basis.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, the Company is subject to certain contractual guarantees and litigation. Generally, such guarantees relate to construction schedules and plant performance. Most of the litigation involves the Company as a defendant in workers' compensation, personal injury and other similar lawsuits. Management believes, after consultation with counsel, that these guarantees and litigation should not have any material adverse effect on the Company's consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this Item is hereby incorporated by reference from the Financial Statements section of the Company's 1996 Annual Report to Shareholders, copies of which financial statements section is being delivered to the Commission (but not filed with, except to the extent incorporated herein) as an Exhibit to this report.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is hereby incorporated by reference from the Financial Statements section of the Company's 1996 Annual Report to Shareholders, copies of which are being delivered to the Commission (but not filed with, except to the extent incorporated herein) as an Exhibit to this report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is hereby incorporated by reference from the Financial Statements section of the Company's 1996 Annual Report to Shareholders, copies of which are being delivered to the Commission (but not filed with, except to the extent incorporated herein) as an Exhibit to this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is hereby incorporated by reference from the Financial Statements section of the Company's 1996 Annual Report to Shareholders, copies of which are being delivered to the Commission (but not filed with, except to the extent incorporated herein) as an Exhibit to this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON FINANCIAL AND DISCLOSURE MATTERS

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Paragraph (a) and Paragraphs (c) through (g) of Item 401 and by Item 405 of Regulation S-K is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year.

See the information under the caption "Executive Officers of the Company" in Part I of this report for information required by Paragraph (b) of Item 401 of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is hereby incorporated by reference from the Company's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A within 120 days after the close of the Company's fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The Company's consolidated financial statements at September 30, 1996 and 1995 and for each of the three years in the period ended September 30, 1996, together with the report of the independent auditors on those consolidated financial statements are hereby incorporated by reference from the Financial Statements section of the Company's 1996 Annual Report to Shareholders, copies of which are being delivered to (but not filed with, except to the extent incorporated herein) the Commission as an exhibit to this report.

(b) Not applicable.

(c) Exhibits and Index to Exhibits:

2.1 Purchase Agreement dated July 29, 1994 between Jacobs Engineering Group Inc. and CRSS Inc. including a schedule of annexes and exhibits. Filed as Exhibit 1. to the Registrant's Current Report on Form 8-K dated August 5, 1994 and incorporated herein by reference.

3.1 Certificate of Incorporation of the Registrant, as amended.
Filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1995 and incorporated herein by reference.

3.2 Bylaws of the Registrant, as amended. Filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1995 and incorporated herein by reference.

4.1 See Sections 5 through 18 of Exhibit 3.1.

4.2 See Article II, Section 3.03 of Article III, Article VI and
Section 8.04 of Article VIII of Exhibit 3.2.

4.3 Rights Agreement dated as of December 20, 1990 by and between Registrant and First Interstate Bank, Ltd. as Rights Agent. Filed as Exhibit 4.4 to Registrant's Quarterly Report on Form 10- Q for the period ended June 30, 1995 and incorporated herein by reference.

10.1 The Jacobs Engineering Group Inc. 1981 Executive Incentive Plan (As Amended and Restated). Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1995 and incorporated herein by reference.

10.2 The Jacobs Engineering Group Inc. Incentive Bonus Plan for Officers and Key Managers. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1995 and incorporated herein by reference.

10.3 Agreement dated as of November 30, 1993 between the Registrant and Dr. Joseph J. Jacobs, and the Agreement dated as of November 30, 1994 between the Registrant and Dr. Joseph J. Jacobs. Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1995 and incorporated herein by reference.

10.4	Agreement dated as of November 30, 1995 between the Registrant and Dr. Joseph J. Jacobs. Filed as Exhibit 10.4 to the Registrant's 1995 Annual Report on Form 10-K and incorporated herein by reference.
(S) 10.5	Agreement dated as of December 5, 1996 between the Registrant and Dr. Joseph J. Jacobs.
10.6	The Executive Security Program of Jacobs Engineering Group Inc. Filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1995 and incorporated herein by reference.
10.7	Jacobs Engineering Group Inc. and Subsidiaries 1991 Executive Deferral Plan, effective June 1, 1991. Filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1995 and incorporated herein by reference.
10.8	Jacobs Engineering Group Inc. and Subsidiaries 1993 Executive Deferral Plan, effective December 1, 1993. Filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1995 and incorporated herein by reference.
10.9	The Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan. Filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1995 and incorporated herein by reference.
10.10	Form of Indemnification Agreement entered into between the Registrant and its officers and directors. Filed as Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1995 and incorporated herein by reference.
10.11	Jacobs Engineering Group Inc. 401(k) Plus Savings Plan and Trust. Filed as Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1995 and incorporated herein by reference.
(S) 11.	Statement of computation of net income per outstanding share of common stock is hereby incorporated by reference from the Financial Statements section of the Company's 1996 Annual Report to Shareholders, copies of which are being delivered to (but not filed with, except to the extent incorporated herein) the Commission as an exhibit to this report.
(S) 13.	Financial Statements section of Jacobs Engineering Group Inc. Annual Report to Shareholders for the fiscal year ended September 30, 1996.
(S) 21.	List of Subsidiaries of Jacobs Engineering Group Inc.
(S) 23.	Consent of Independent Auditors.
(S) 27.1	Financial Data Schedules.

(S) Being filed herewith.

UNDERTAKINGS

For the purposes of complying with the amendments to the rules governing Form S-8 (effective July 13, 1990) under the Securities Act of 1933, the undersigned Registrant hereby undertakes as follows, which undertaking shall be incorporated by reference into the Registrant's Registration Statements on Form S-8 Nos. 33-45914 (filed February 21, 1992) and 33-45927 (filed February 24, 1992):

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JACOBS ENGINEERING GROUP INC.

Dated: December 27, 1996

By: NOEL G. WATSON

Noel G. Watson
President, Chief Executive Officer and Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
NOEL G. WATSON - ---------------------------------- Noel G. Watson	Director and Principal Executive Officer	December 27, 1996
JOSEPH J. JACOBS - ---------------------------------- Joseph J. Jacobs	Director	December 27, 1996
JOSEPH F. ALIBRANDI - ---------------------------------- Joseph F. Alibrandi	Director	December 27, 1996
PETER H. DAILEY - ---------------------------------- Peter H. Dailey	Director	December 27, 1996
ROBERT B. GWYN - ---------------------------------- Robert B. Gwyn	Director	December 27, 1996
LINDA K. JACOBS - ---------------------------------- Linda K. Jacobs	Director	December 27, 1996
J. CLAYBURN LaFORCE - ---------------------------------- J. Clayburn LaForce	Director	December 27, 1996
DALE R. LAURANCE - ---------------------------------- Dale R. Laurance	Director	December 27, 1996
LINDA FAYNE LEVINSON - ---------------------------------- Linda Fayne Levinson	Director	December 27, 1996
- ---------------------------------- David M. Petrone	Director	December 27, 1996
JAMES L. RAINEY, JR. - ---------------------------------- James L. Rainey, Jr.	Director	December 27, 1996
JOHN W. PROSSER, JR. - ---------------------------------- John W. Prosser, Jr.	Senior Vice President Finance and Administration, and Treasurer (Principal Financial Officer)	December 27, 1996
NAZIM G. THAWERBHOY - ---------------------------------- Nazim G. Thawerbhoy	Senior Vice President and Controller (Principal Accounting Officer)	December 27, 1996

EXHIBIT 10.5

AGREEMENT

This agreement is made as of the 5th day of December, 1996, between JACOBS ENGINEERING GROUP, INC. a Delaware corporation ("Company") and JOSEPH J. JACOBS ("Jacobs").

In accordance with previous practice, the term for the ending of the outstanding November 30, 1993 employment agreement between the parties is extended from September 30, 2000 to September 30, 2001. All of the other provisions of the agreement shall remain in force.

IN WITNESS WHEREOF, the Company has caused this agreement to be executed by its duly authorized representatives and Jacobs has affixed his signature, as of the date first above written.

JOSEPH J. JACOBS
("Jacobs")

/s/ Joseph J. Jacobs
----
335 West Bellevue Avenue
Pasadena, California 91105

JACOBS ENGINEERING GROUP INC.
("Company")

By /s/ Noel G. Watson

Noel G. Watson,
President

By /s/ John W. Prosser, Jr.

John W. Prosser, Jr.,
Senior Vice President
Finance and Administration

EXHIBIT 13

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT AUDITORS

SEPTEMBER 30, 1996

SELECTED HIGHLIGHTS

For Fiscal Years Ended September 30
(Dollars in thousands, except per-share information)

	1996	1995	1994
Revenues	$1,798,970	$1,723,057	$1,165,754
Net income	40,360	32,242	18,767
Per-share information:			
Net income	$ 1.56	$ 1.27	$ 0.75
Net book value	10.93	9.41	7.96
Closing year-end stock price	22.50	24.875	24.375
Total assets	$ 572,505	$ 533,947	$ 504,364
Stockholders' equity	283,387	238,761	200,433
Return on average equity	15.46%	14.68%	10.03%
Stockholders of record	1,965	2,971	2,635
Backlog:			
Engineering services	$ 845,300	$ 828,400	$ 793,060
Total	2,750,200	2,625,000	2,500,000
Permanent staff	7,350	7,600	6,940

Net income for fiscal 1994 included special charges totaling $10,200, or $0.40 per share.

Selected Financial Data

For Fiscal Years Ended September 30
(In thousands, except per-share information)

	1996	1995	1994	1993	1992
Results of Operations:					
Revenues	$1,798,970	$1,723,057	$1,165,754	$1,142,926	$1,106,427
Net income	40,360	32,242	18,767	28,670	26,605
Financial Position:					
Current ratio	1.68 to 1	1.44 to 1	1.41 to 1	1.61 to 1	1.56 to 1
Working capital	$ 155,569	$ 113,339	$ 106,058	$ 100,688	$ 92,706
Current assets	383,644	368,614	367,485	264,949	258,206
Total assets	572,505	533,947	504,364	351,020	316,731
Long-term debt	36,300	17,799	25,000	-	-
Stockholders' equity	283,387	238,761	200,433	173,797	139,813
Return on average equity	15.46%	14.68%	10.03%	18.28%	21.56%
Backlog:					
Engineering services	$ 845,300	$ 828,400	$ 793,060	$ 736,600	$ 647,100
Total	2,750,200	2,625,000	2,500,000	1,858,600	1,760,000
Per-share Information:					
Net income	$ 1.56	$ 1.27	$ 0.75	$ 1.15	$ 1.11
Stockholders' equity	10.93	9.41	7.96	6.96	5.81
Average Number of Common and Common Stock Equivalents Outstanding	25,921	25,384	25,173	24,964	24,070

Net income for fiscal 1994 included special charges totaling $10,200, or $0.40 per share.

Net income for fiscal 1992 included a net gain of $2,118, or $0.09 per share, from the sale of 40 percent of the Company's holdings of the common stock of Genetics Institute, Inc.

Selected Financial Data

For Fiscal Years Ended September 30
(In thousands, except per-share information)

	1991	1990	1989	1988	1987
Results of Operations:					
Revenues	$1,036,289	$ 881,757	$793,577	$757,410	$320,307
Net income	20,385	14,390	10,220	6,552	3,512
Financial Position:					
Current ratio	1.41 to 1	1.24 to 1	1.24 to 1	1.18 to 1	1.42 to 1
Working capital	$ 60,580	$ 39,544	$ 32,965	$ 22,021	$ 26,657
Current assets	206,576	202,404	172,489	143,951	89,629
Total assets	260,142	253,707	212,680	179,642	116,849
Long-term debt	-	-	6,332	9,244	12,277
Stockholders' equity	106,936	82,964	58,806	37,503	30,967
Return on average equity	21.47%	20.30%	21.22%	19.14%	12.13%
Backlog:					
Engineering services	$ 457,300	$ 329,400	$222,830	$154,950	$ 87,736
Total	1,605,000	1,343,300	970,010	822,252	351,554
Per-share Information:					
Net income	$ 0.86	$ 0.64	$ 0.48	$ 0.34	$ 0.18
Stockholders' equity	4.50	3.70	2.74	1.93	1.62
Average Number of Common and Common Stock Equivalents Outstanding	23,763	22,439	21,501	19,390	19,150

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The following table sets forth total revenues from each of the industry groups and markets serviced by the Company for each year in the three year period ended September 30, 1996 (in thousands):

	1996	1995	1994
Chemicals	$ 452,448	$ 377,731	$ 315,991
Refining	417,739	480,472	372,769
Semiconductor	268,520	264,492	83,477
Buildings and infrastructure	189,834	174,183	88,228
Pulp and paper	170,553	85,476	7,258
Pharmaceuticals and biotechnology	147,840	123,683	97,301
Federal programs	145,275	175,200	175,846
Other	6,761	41,820	24,884
	$1,798,970	$1,723,057	$1,165,754

The following table sets forth total revenues from each of the types of services the Company provides its clients for each year in the three year period ended September 30, 1996 (in thousands):

	1996	1995	1994
Engineering services	$ 627,622	$ 588,399	$ 476,491
Field services:			
Construction	925,681	881,574	456,750
Maintenance	245,667	253,084	232,513
	$1,798,970	$1,723,057	$1,165,754

1996 Compared to 1995:

Consolidated revenues increased 4.4 percent from 1995 to 1996. Revenues from the Company's engineering services increased 6.7 percent from 1995 to 1996. The Company considers the level of engineering services it provides an important indicator of the Company's overall financial performance because engineering services absorb a significant portion of the Company's general and administrative expenses. The Company also believes that engineering services activity is a leading indicator of possible future opportunities to provide construction and construction management services. The increase in engineering services revenues from 1995 to 1996 was evidenced by an increase in the number of professional services hours billed to projects. The Company billed 12.8 million hours to projects in 1996; this was 0.8 million more hours than the number billed last year.

Revenues from field services activities increased 3.2 percent from 1995 to 1996. While revenues from construction activities increased 5.0 percent from last year, revenues from maintenance activities were down 2.9 percent from the previous year. Construction revenues increased during 1996 in spite of the fact the Company completed construction on two large projects during the year (one for a client in the refining industry, and another for a client in the semiconductor industry), and it substantially completed construction on a third major project (for a client in the buildings and infrastructure industry group). Also contributing to the increase in field services revenues from 1995 to 1996 was an $18.2 million increase in subcontract and procurement activity (the costs of which are included in both revenues and costs).

As a percent of revenues, direct costs of contracts was 88.4 percent in 1996, versus 89.0 percent in 1995. The percentage relationship between direct costs of contracts and revenues will fluctuate from year to year depending on a variety of factors, including the mix of business and services in the years being compared. In general, the decrease in this percentage relationship from 1995 to 1996 was due to a proportionally higher percentage of the Company's total business volume coming from engineering services relative to field services.

The Company's selling, general and administrative ("S,G & A") expenses totalled $143.5 million for 1996; this was only $6.9 million, or 5.0 percent, more than the 1995 amount. The increase in S,G & A expenses corresponds to the increase in the overall business volume discussed above, and reflects the Company's continuing efforts to control such expenses throughout its operations.

The Company's operating profit (defined as total revenues, less direct costs of contracts, and selling, general and administrative expenses) totalled $64.6 million for 1996; this was $11.9 million more than the 1995 amount. In general, the improvement was due to increased business volume, combined with higher margin rates for the Company's services.

Interest income, net totalled $1.4 million for 1996; this was $1.1 million more than the 1995 amount. The increase in net interest income was due primarily to higher levels of cash invested during 1996 as compared to 1995, combined with slightly better rates of interest earned on such investments.

Other income, net totalled $0.8 million for 1996; this was $0.4 million more than the 1995 amount. The increase in other income, net was due primarily to higher gains from sales of marketable securities and other assets in 1996 as compared to 1995.

1995 Compared to 1994:

Consolidated revenues increased 47.8 percent from 1994 to 1995. Of the increase, approximately 55 percent was due to the inclusion in 1995 of a full twelve-months results of operations of two businesses the Company acquired in July 1994. The Company purchased substantially all of the assets of CRS Sirrine Engineers, Inc. ("Sirrine"), subject to certain assumed liabilities, and all of the issued and outstanding equity securities of CRSS Constructors, Inc. and CRSS International, Inc. (together, "CRSS Constructors" - see Note 1 to the Consolidated Financial Statements).

Engineering services revenues increased 23.5 percent from 1994 to 1995. Of the increase, approximately 76 percent was due to the inclusion of a full twelve- months of operations of Sirrine. The increase in engineering services revenues was evidenced by an increase in the number of professional services hours billed to projects. The Company billed 12.0

million hours to projects in 1995; this was 2.8 million more hours than the number billed in 1994.

Revenues from field services activities increased 64.6 percent from 1994 to 1995. Most of the increase was due to higher construction activities, and in particular from projects being executed and managed by Sirrine and CRSS Constructors. Also contributing to the increase in field services revenues from 1994 to 1995 was a $372.3 million increase in subcontract and procurement activity.

As a percent of revenues, direct costs of contracts was 89.0 percent in 1995, versus 87.9 percent in 1994. The increase in this percentage relationship from 1994 to 1995 was due primarily to the acquisition of CRSS Constructors, which contributed to an increase in field services revenues relative to engineering services revenues.

The Company's S,G & A expenses totalled $136.6 million for 1995; this was $27.0 million more than the 1994 amount. Most of the increase was attributable to the effects of the inclusion in 1995 of a full year's results of operations of Sirrine and CRSS Constructors.

The Company's operating profit totalled $52.7 million for 1995; this was $20.8 million more than 1994. Approximately $15.8 million of the increase relates to the special charge recorded in 1994 (see below) which decreased operating profit for that year. The balance of the improvement was due to increased business volume combined with higher margin rates.

Other income, net totalled $0.3 million for 1995, as compared to other expense, net of $0.7 million for 1994. The variance was due primarily to higher employee-benefit related costs recorded in 1994 than in 1995.

Special Charge:

During the fourth quarter of 1994, the Company recorded a special charge totaling $10.2 million after taxes, or $0.40 per share. In general, the special charge related to various acquisitions the Company had completed in 1993 and 1994, which added overhead and administrative infrastructures that were in many cases duplicative of resources already existing within the Company. In 1994, the Company began to implement plans to consolidate certain of its offices, and to review where certain projects were being executed. In certain instances, projects and personnel were re-assigned to other offices within the Company. During 1995, the Company substantially completed its plans and programs. During 1996 and 1995, the Company charged $2.9 million and $2.2 million, respectively, of cash expenditures and write-offs against these reserves.

BACKLOG

The following table summarizes the Company's total backlog at September 30, 1996, 1995, and 1994 (in millions):

	1996	1995	1994
Engineering services	$ 845.3	$ 828.4	$ 793.1
Total	2,750.2	2,625.0	2,500.0

At any given time, backlog represents the amount of revenues the Company expects to record in the future from performing work under contracts that have been awarded to it.

With respect to maintenance projects, however, it is the Company's policy to include in backlog only the amount of revenues it expects to receive during the succeeding year, regardless of the remaining life of the contract, unless the Company does not expect the contract to be renewed. With respect to contracts relating to projects for agencies of the U.S. federal government, it is the Company's policy to include in backlog the full contract award.

Total backlog at September 30, 1996 included approximately $1.0 billion of contracts for work to be performed either directly or indirectly for agencies of the federal government. This compares to approximately $1.1 billion at both September 30, 1995 and 1994. Most of these contracts extend beyond one year. In general, these contracts must be funded annually (i.e., the amounts to be spent under the contract must be appropriated by Congress to the procuring agency, and then the agency must allot these sums to the specific contracts).

Net of work-off, the Company's backlog increased $125.0 million from 1994 to 1995, and it increased by $125.2 million from 1995 to 1996. Most of the 1995 increase was attributable to new project awards in the semiconductor and pulp and paper areas of the Company's business. Most of the 1996 increase was due to new awards in the refining and chemicals areas of the Company's business, combined with scope expansions on a project in the semiconductor industry.

Of total backlog at September 30, 1996, the Company estimates that approximately one-half will be realized as revenues within the next year.

In accordance with industry practice, substantially all of the Company's contracts may be terminated by the client. However, the Company has not experienced cancellations which have had a material effect on the reported backlog amounts. In the situation where a client terminates a contract, the Company would ordinarily be entitled to receive payment for work performed up to the date of termination and, in certain instances, may be entitled to allowable termination and cancellation costs. Additionally, the Company's backlog at any given time is subject to changes in the scope of services to be provided as well as increases or decreases in costs relating to the contracts included therein.

EFFECTS OF INFLATION

The effects of inflation on the Company's financial condition and results of operations have decreased in recent years due primarily to the Company receiving an increasing amount of its revenues under cost-reimbursable type contracts.

To the extent permitted by competition, the Company continues to mitigate its exposure to the effects of inflation by, among other things, emphasizing contracts which are either cost-reimbursable or negotiated fixed-price.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents increased $23.7 million during 1996. This compares to a net decrease of $6.5 million during 1995, and a net increase of $25.1 million during 1994. The current year increase was due primarily to cash provided by operations ($54.3 million) and financing activities ($9.6 million), offset in part by cash used in investing activities ($40.0 million).

Operations provided $54.3 million of cash and cash equivalents in 1996. This compares to net contributions of cash of $32.0 million in 1995 and $41.3 million in 1994. The $22.3 million increase in cash provided by operations from 1995 to 1996 occurred primarily as a result of higher net income ($8.1 million) and depreciation and amortization expense ($3.1 million), combined with the positive impact of the timing of cash receipts and payments relating to receivables and prepaid expenses, and trade payables and liabilities ($9.6 million).

The Company's investing activities used $40.0 million of cash and cash equivalents in 1996. This compares to net uses of cash of $45.0 million in 1995 and $51.1 million in 1994. The $5.0 million decrease from 1995 to 1996 was due primarily to the $4.7 million payment the Company made in 1995 to complete the acquisition of Sirrine and CRSS Constructors; there was no similar payment made in 1996. Additions to property and equipment decreased $18.3 million from 1995 to 1996. Included in last year's additions was the purchase of real property in Dublin, Ireland, which included the Company's office building. The total purchase price was approximately $18.4 million, and was financed entirely with an Irish Punt mortgage loan. Additions to investments increased $18.7 million from 1995 to 1996. Included in the 1996 figure is the purchase of a 49 percent interest in the engineering and construction operations of the Serete Group (headquartered in France). The purchase price totalled $19.0 million, and was financed entirely with French Franc-denominated bank debt. The purchase agreement provides for the Company to increase its ownership interest if the Serete Group achieves certain operating goals over the two years following the initial investment.

The Company's financing activities provided $9.6 million of cash and cash equivalents in 1996. This compares to a net contribution to cash of $6.6 million in 1995 and $34.4 million in 1994. The increase in cash provided from financing activities from 1995 to 1996 was due primarily to higher cash flows from the issuance of stock to employees ($1.7 million), increased bank borrowings, net of repayments ($3.1 million), and other, miscellaneous cash flows ($1.8 million). Offsetting these amounts in part was cash used to repurchase the Company's common stock ($3.6 million in 1996). In July 1996, the Company announced a stock buy-back program of up to 1.0 million shares. During the remainder of 1996, the Company purchased 160,000 shares of stock in the open market, most of which were used to fund the share requirements under the Company's 1989 Employee Stock Purchase Plan.

The Company believes it has adequate capital resources available to fund operations in 1997 and beyond. The Company's consolidated working capital position totalled $155.6 million at September 30, 1996; this was $42.2 million more than the comparable 1995 amount. At September 30, 1996, the Company had a total of $51.7 million available under all of its short-term bank credit facilities, against which $0.7 million was outstanding in the form of direct borrowings (relating entirely to the Company's U.K. subsidiary) and $1.5 million was utilized in support of outstanding letters of credit.

EFFECT OF RECENTLY-ISSUED ACCOUNTING STANDARDS

In October 1995, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards No. 123 - Accounting for Stock-Based Compensation ("SFAS No. 123"). SFAS No. 123 allows companies either to continue to account for stock option awards using existing standards, or they may adopt a new, fair value based method of accounting as prescribed in SFAS No. 123. The Company does not intend to change its method of accounting for stock issued to employees. The pro forma disclosure requirements of SFAS No. 123 will be effective for the Company beginning next year.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1996 AND 1995
(In thousands, except share information)

	1996	1995
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 62,865	$ 39,118
Marketable securities	2,764	2,806
Receivables	276,668	292,108
Deferred income taxes	37,564	31,980
Prepaid expenses and other	3,783	2,602
Total current assets	383,644	368,614
Property, Equipment and Improvements, Net	79,009	80,115
Other Noncurrent Assets:		
Goodwill, net	40,481	41,882
Other	69,371	43,336
Total other noncurrent assets	109,852	85,218
	$572,505	$533,947
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	$ 694	$ 16,632
Accounts payable	60,799	63,767
Accrued liabilities	110,061	109,168
Customers' advances in excess of related revenues	47,052	54,496
Income taxes payable	9,469	11,212
Total current liabilities	228,075	255,275
Long-term Debt	36,300	17,799
Deferred Gains on Real Estate Transactions	1,025	1,845
Other Deferred Liabilities	23,718	20,267
Commitments and Contingencies		
Stockholders' Equity:		
Capital stock:		
Preferred stock, $1 par value, authorized - 1,000,000 shares, issued and outstanding - none	-	-
Common stock, $1 par value, authorized - 60,000,000 shares, issued and outstanding - 25,745,329 and 25,495,711 shares, respectively	25,745	25,496
Additional paid-in capital	49,191	43,957
Retained earnings	207,639	168,203
Other	1,039	1,105
	283,614	238,761
Less, cost of common stock held in treasury (10,000 shares in 1996, none in 1995)	227	-
Total stockholders' equity	283,387	238,761
	$572,505	$533,947

See the accompanying notes.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 1996, 1995, AND 1994
(In thousands, except per-share information)

	1996	1995	1994
Revenues	$1,798,970	$1,723,057	$1,165,754
Costs and Expenses:			
Direct costs of contracts	1,590,906	1,533,832	1,024,361
Selling, general and administrative expenses	143,456	136,562	109,574
Interest income, net	(1,444)	(359)	(276)
Other (income) expense, net	(769)	(359)	718
	1,732,149	1,669,676	1,134,377
Income before taxes	66,821	53,381	31,377
Income Tax Expense	26,461	21,139	12,610
Net Income	$ 40,360	$ 32,242	$ 18,767
Net Income Per Share	$1.56	$1.27	$0.75

See the accompanying notes.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE YEARS ENDED SEPTEMBER 30, 1996, 1995, AND 1994
(In thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Other	Treasury Stock (at cost)
Balances, September 30, 1993	$24,757	$30,436	$118,555	$ 48	$ -
Net foreign currency translation adjustment	-	-	-	1,302	-
Net unrealized gains on marketable securities	-	-	-	531	-
Repurchases of common stock	(59)	(265)	(1,116)	-	-
Exercises of stock options, including the related income tax benefits	397	7,080	-	-	-
Net income	-	-	18,767	-	-
Balances, September 30, 1994	25,095	37,251	136,206	1,881	-
Net foreign currency translation adjustment	-	-	-	293	-
Net unrealized gains on marketable securities	-	-	-	213	-
Repurchases of common stock	(52)	(900)	(245)	-	-
Exercises of stock options, including the related income tax benefits	392	6,317	-	-	-
Issuance of restricted stock, net of amortization	61	1,289	-	(1,282)	-
Net income	-	-	32,242	-	-
Balances, September 30, 1995	25,496	43,957	168,203	1,105	-
Net foreign currency translation adjustment	-	-	-	8	-
Net unrealized losses on marketable securities	-	-	-	(123)	-
Repurchases of common stock	(13)	(23)	(716)	-	(3,590)
Exercises of stock options, including the related income tax benefits	253	5,028	(208)	-	3,363
Issuance of restricted stock, net of amortization	9	229	-	49	-
Net income	-	-	40,360	-	-
Balances, September 30, 1996	$25,745	$49,191	$207,639	$ 1,039	$ (227)

See the accompanying notes.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 1996, 1995, AND 1994
(In thousands)

	1996	1995	1994
Cash Flows from Operating Activities:			
Net income	$ 40,360	$ 32,242	$ 18,767
Adjustments to reconcile net income to net cash flows from operations:			
Depreciation and amortization	18,118	15,013	11,973
Amortization of deferred gains	(820)	(820)	(966)
(Gains) losses on disposals of property, equipment and other assets	(259)	22	(1,058)
Changes in assets and liabilities, excluding the effects of businesses acquired:			
Receivables	15,255	(7,402)	(17,506)
Prepaid expenses and other	(1,182)	737	510
Accounts payable	(2,911)	(24,146)	941
Accrued liabilities	(1,588)	11,791	505
Customers' advances	(7,420)	7,082	14,862
Income taxes payable	(1,743)	2,725	(2,427)
Deferred income taxes	(3,818)	(5,313)	(5,474)
Special charge not requiring cash	-	-	21,140
Other	287	68	-
Net cash provided	54,279	31,999	41,267
Cash Flows from Investing Activities:			
Additions to property and equipment	(16,694)	(34,971)	(24,271)
Disposals of property and equipment	745	784	417
Increase in other assets, net	(2,689)	(3,228)	(6,400)
Additions to investments	(21,705)	(3,001)	(5,150)
Proceeds from sales of investments	301	-	642
Purchases of marketable securities	-	-	(873)
Proceeds from sales of marketable securities	-	91	18,040
Acquisitions of businesses	-	(4,683)	(33,513)
Net cash used	(40,042)	(45,008)	(51,108)
Cash Flows from Financing Activities:			
Exercises of stock options, including the related income tax benefits	8,258	6,521	6,824
Purchases of treasury stock	(3,590)	-	-
Increases to long-term debt	18,881	17,799	25,000
Payments on long-term debt	-	(25,000)	-
Increase (decrease) in short-term borrowings	(15,739)	7,242	2,608
Other, net	1,768	-	-
Net cash provided	9,578	6,562	34,432
Effect of Exchange Rate Changes	(68)	(46)	505
Increase (Decrease) in Cash and Cash Equivalents	23,747	(6,493)	25,096
Cash and Cash Equivalents at Beginning of Period	39,118	45,611	20,515
Cash and Cash Equivalents at End of Period	$ 62,865	$ 39,118	$ 45,611

See the accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Jacobs Engineering Group Inc. and its subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated.

Description of the Business

The Company's principal business is that of providing professional engineering, construction and construction management, and maintenance services to its industrial, commercial and government clients. The Company provides its services from offices located throughout the United States, the United Kingdom and Ireland, as well as through affiliated entities (investees which the Company accounts for using the equity method) located throughout Europe and India. The Company provides its services under cost-reimbursable, cost-reimbursable with a guaranteed maximum, and fixed-price contracts. The percentage of revenues realized from each of these types of contracts in each of the years ended September 30, 1996, 1995, and 1994 was as follows:

	1996	1995	1994
Cost-reimbursable	82%	88%	83%
Guaranteed maximum	2	1	8
Fixed-price	16	11	9

For the years ended September 30, 1996, 1995, and 1994, agencies of the U.S. federal government accounted for 8.7 percent, 11.4 percent and 15.4 percent, respectively, of total revenues. Within the private sector, no single client accounted for 10 percent or more of total revenues in 1996. One client accounted for 13.1 percent and 11.6 percent of total revenues in 1995 and 1994, respectively.

Revenue Accounting for Contracts

In general, the Company recognizes revenues at the time services are performed. On cost-reimbursable contracts, revenue is recognized as costs are incurred, and includes applicable fees earned through the date services are provided. On fixed-price contracts, revenues are recorded using the percentage- of-completion method of accounting by relating contract costs incurred to date to total estimated contract costs at completion. Contract costs include both direct and indirect costs. Contract losses are provided for in their entirety in the period they become known, without regard to the percentage-of-completion.

Some of the Company's contracts with the U.S. federal government, as well as certain contracts with commercial clients, provide that contract costs (including indirect costs) are subject to audit and adjustment. For all such contracts, revenues have been recorded based upon those amounts expected to be realized upon final settlement.

As is common in the industry, the Company executes certain contracts jointly with third parties through partnerships and joint ventures. For certain of these contracts, the Company recognizes its proportionate share of venture revenues, costs and operating income in its consolidated statements of income.

When the Company is responsible for the procurement of materials, equipment, or subcontracts, it includes such amounts in both revenues and costs. The approximate amount of such costs included in revenues for each of the years ended September 30, 1996, 1995, and 1994 was $1,019,499,500, $1,001,277,400 and $629,001,500, respectively.

Foreign Operations

Revenues from the Company's U.K. and Irish operations totalled $176,426,600, $92,514,400 and $64,790,400 for the years ended September 30, 1996, 1995, and 1994, respectively, and were earned from unaffiliated clients located primarily in Europe.

Operating profit (defined as total revenues, less direct costs of contracts, and selling, general and administrative expenses) for the U.K. and Irish operations was approximately $6,494,400, $1,053,300 and $617,900 for 1996, 1995, and 1994, respectively. Identifiable assets of the U.K. and Irish operations totalled $83,916,600 and $74,265,300 at September 30, 1996 and 1995, respectively.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of less than three months as cash equivalents. Cash equivalents at September 30, 1996 and 1995 consisted primarily of time certificates of deposit.

Marketable Securities and Investments

The Company's investments in equity and debt securities have been classified as either trading securities (shown as "Marketable securities" in the accompanying consolidated balance sheets), held-to-maturity securities or available-for-sale securities (the latter two are included as long-term investments in "Other noncurrent assets" in the accompanying consolidated balance sheets). Management determines the appropriate classification of all its investments at the time of purchase and reviews such designations at each balance sheet date.

Trading securities are stated at fair value with unrealized gains or losses included in "Other income, net" in the accompanying consolidated statements of income. Held-to-maturity securities are carried at cost, or amortized cost if a premium was paid or a discount received at the time of purchase. Marketable equity securities not held for trading and debt securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are stated at fair value, with the unrealized gains or losses, net of taxes, reported in the "Other" component of stockholders' equity. The amount of unrealized gains, net of taxes, recorded at September 30, 1996 and 1995 totalled $621,600 and $744,000, respectively.

The following table summarizes certain information regarding the Company's available-for-sale equity securities at September 30, 1996 and 1995, and for each of the years then ended (in thousands):

	1996	1995
Total cost (specific identification method)	$ 368	$ 414
Gross unrealized gains	1,351	1,241
Estimated fair value	1,719	1,655
Gross realized gains	156	-
Gross proceeds from sales	201	-

Receivables and Customers' Advances

Included in receivables at September 30, 1996 and 1995 were unbilled amounts of $50,770,100 and $52,790,600, respectively. Unbilled receivables represent amounts earned under contracts in progress, but not yet billable under the terms of those contracts. These amounts become billable according to the contract terms which usually consider the passage of time, achievement of certain milestones or completion of the project. Included in unbilled receivables at September 30, 1996 and 1995 were contract retentions totaling $12,616,000 and $14,710,100, respectively. Substantially all unbilled receivables are billed and collected in the subsequent fiscal year.

Customers' advances in excess of related revenues represent cash collected from clients on contracts in advance of revenues earned thereon, as well as billings to clients in excess of costs and earnings on uncompleted contracts. Substantially all such amounts are earned in the subsequent fiscal year.

Property, Equipment and Improvements

Property, equipment and improvements are stated at cost and consisted of the following at September 30, 1996 and 1995 (in thousands):

	1996	1995
Land	$ 10,028	$ 10,529
Buildings	38,762	38,976
Equipment	100,874	87,186
Leasehold improvements	12,812	12,319
	162,476	149,010
Less - accumulated depreciation and amortization	83,467	68,895
	$ 79,009	$ 80,115

Depreciation and amortization are provided using primarily the straight- line method over the estimated useful lives of the assets, or, in the case of leasehold improvements, over the remaining term of the lease, if shorter. Estimated useful lives range from 20 to 40 years for buildings, from 3 to 10 years for equipment and from 4 to 10 years for leasehold improvements.

Other Noncurrent Assets

Goodwill represents the costs in excess of the fair values of the net assets of acquired companies and is amortized against earnings using the straight-line method over periods not exceeding 40 years. Goodwill is shown in the accompanying consolidated balance sheets net of accumulated amortization of $4,997,700 and $4,153,800 at September 30, 1996 and 1995, respectively.

Other noncurrent assets consisted of the following at September 30, 1996 and 1995 (in thousands):

	1996	1995
Prepaid pension costs	$11,201	$11,503
Cash surrender value of life insurance policies	20,758	16,498
Investments	35,000	11,517
Miscellaneous	2,412	3,818
	$69,371	$43,336

During 1996, the Company purchased a 49 percent interest in the engineering and construction operations of the Serete Group (which is headquartered in France). The purchase price was approximately $19,000,000. The purchase agreement provides for the Company to increase its ownership interest if the Serete Group achieves certain operating goals over the two years following the initial investment. The Company accounts for its investment in the Serete Group using the equity method.

Deferred Gains on Real Estate Transactions

In 1983, the Company entered into a real estate transaction which resulted in a gain totaling $12,299,800. Since the transaction involved a long-term lease agreement, the gain was deferred and is being amortized ratably into income over the lease term (which ends December 31, 1997).

Net Income Per Share

For the years ended September 30, 1996, 1995, and 1994, net income per share has been computed based on the weighted average number of shares of common stock and, if dilutive, common stock equivalents outstanding as follows (in thousands):

	1996	1995	1994
Average number of shares of common stock outstanding	25,613	25,208	24,916
Average number of common stock equivalents outstanding	308	176	257
	25,921	25,384	25,173

Business Combination

Effective July 31, 1994, the Company acquired the engineering and construction management services businesses of CRSS Inc. in a transaction accounted for as a purchase. The cash purchase price was $38,196,200 (of which, $4,683,200 was paid in fiscal 1995). The funds used to acquire the businesses were provided by operations and long-term debt. The purchase price was allocated to the assets and liabilities acquired based on their estimated fair values, and the Company's consolidated results of operations include the results of the acquired businesses since the date of acquisition.

Concentrations of Credit Risk / Use of Estimates

The Company's cash balances and short-term investments are maintained in accounts held by major banks and financial institutions in the U.S. and Europe. Also, as is customary in the industry, the Company grants uncollateralized credit to its clients, which include the federal government and large, multi- national corporations operating in a broad range of industries. In order to mitigate its credit risk, the Company continually evaluates the credit worthiness of its major commercial clients.

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that necessarily affect certain amounts reported in its consolidated financial statements. The more significant estimates affecting amounts reported in the consolidated financial statements relate to revenues under long-term construction contracts and self-insurance accruals. Actual results could differ from those estimates.

2. NOTES PAYABLE TO BANKS AND LONG-TERM DEBT

Short-term Credit Arrangements

At September 30, 1996, the Company had $51,660,000 available through multiple bank lines of credit, under which the Company may borrow on an overdraft or short-term basis. Interest under these lines is determined at the time of borrowing based on the banks' prime or base rates, rates paid on certificates of deposit, the banks' actual costs of funds or other variable rates. The agreements require payment of a fee of 0.25 percent of the average unused portion of the facilities, as well as require the Company to maintain certain minimum levels of working capital and net worth. Two of the agreements limits borrowings by the amount of letters of credit outstanding under the facility. Borrowings under the lines are unsecured and the lines generally extend through March 1997.

Other information regarding the lines of credit for the years ended September 30, 1996, 1995, and 1994 was as follows (dollars in thousands):

	1996	1995	1994
Amount outstanding at year end	$ 694	$16,587	$ 9,152
Weighted average interest rate at year end	7.00%	7.63%	6.18%
Weighted average borrowings outstanding during the year	$12,270	$12,328	$ 9,685
Weighted average interest rate during the year	7.10%	7.11%	5.45%
Maximum amount outstanding during the year	$17,406	$28,203	$24,763

Long-term Debt and Credit Arrangements

Long-term debt consisted of the following at September 30, 1996 and 1995 (in thousands):

	1996	1995
Mortgage loan, due May 2000	$17,640	$17,799
Borrowings under the Company's unsecured, $45,000 revolving credit agreement	18,660	-
	$36,300	$17,799

The mortgage loan was incurred in connection with the purchase of the Company's real property located in Dublin, Ireland, and is secured by the property. The loan bears interest at variable rates for selected periods from one to twelve months based on the Dublin Interbank Offered Rate, and is payable at the end of each selected period. The interest rate in effect at September 30, 1996 was 6.27 percent.

Borrowings under the revolving credit agreement bear interest at either fixed rates offered by the banks at the time of borrowing, or at variable rates based on the agent bank's base rate, LIBOR or the latest federal funds rate. The agreement requires the Company to maintain a minimum tangible net worth of at least $160,000,000 plus 50 percent of consolidated net income after October 1, 1994, a minimum coverage ratio of certain defined fixed charges and a minimum ratio of debt to tangible net worth. The agreement also restricts the payment of cash dividends and requires the Company to pay a facility fee of 0.15 percent of the total amount of the commitment. The agreement extends through December 1997.

Interest expense for the years ended September 30, 1996, 1995, and 1994 was $2,777,400, $2,216,000 and $792,000, respectively, and has been included with interest income in the accompanying consolidated statements of income. Interest payments made during each of these years totalled $2,552,300, $2,044,500 and $595,400, respectively.

3. STOCK PLANS

The Company's 1989 Employee Stock Purchase Plan (the "1989 ESPP") provides for the granting of options to participating employees to purchase shares of the Company's common stock. The participants' purchase price is the lower of 90 percent of the common stock's closing market price on either the first or last day of the option period (as defined). A summary of shares issued through the 1989 ESPP for the years ended September 30, 1996, 1995, and 1994 follows:

	1996	1995	1994
Aggregate purchase price	$6,310,960	$5,604,570	$4,837,480
Shares purchased	290,430	314,300	222,210

At September 30, 1996, there were 1,320,612 shares reserved for issuance under the 1989 ESPP.

The Company has an incentive stock plan (the "1981 Plan") which provides for the issuance of shares of common stock to employees and outside directors. Under the 1981 Plan, the Company may grant four types of incentive awards:
incentive stock options, nonqualified stock options, stock appreciation rights, and restricted stock. At September 30, 1996, there were 2,271,673 shares of common stock reserved for issuance under the 1981 Plan, and there were 484,350 shares available for future awards at that date (839,300 shares were available at September 30, 1995).

The Company issued 9,000 and 61,000 shares of restricted stock under the 1981 Plan during 1996 and 1995, respectively. Upon issuance of restricted stock, unearned compensation equivalent to the market value of the stock issued (determined on the date of grant) is charged to stockholders' equity and subsequently amortized against income over the periods during which the restrictions lapse ($353,200 and $67,500 of compensation expense was recognized in 1996 and 1995, respectively). The restrictions generally relate to the recipient's ability to sell or otherwise transfer the stock. There are also restrictions that subject the stock to forfeiture back to the Company until earned by the recipient through continued employment. The restrictions lapse over five years.

Stock option activity and other related information for the 1981 Plan for the years ended September 30, 1996, 1995, and 1994 follows:

	1996	1995	1994
Options outstanding at beginning of year	1,576,059	1,412,959	1,237,000
Options granted	406,000	324,000	438,000
Options exercised	(134,686)	(77,400)	(174,941)
Options expired	(60,050)	(83,500)	(87,100)
Options outstanding at end of year	1,787,323	1,576,059	1,412,959
Average price of options exercised	$10.96	$10.27	$ 9.30
Range of prices of options outstanding	$ 5.31 - $28.56	$ 4.25 - $28.20	$ 4.25 - $28.20
Average price of options outstanding	$21.68	$19.80	$19.63
Options exercisable	781,653	637,229	413,919

Options outstanding at September 30, 1996 consisted entirely of nonqualified stock options. The 1981 Plan allows participants to satisfy the exercise price on exercises of stock options by tendering to the Company shares of the Company's common stock already owned by the participants. Shares so tendered are retired and canceled by the Company and are shown as repurchases of common stock in the accompanying consolidated statements of stockholders' equity.

4. SAVINGS, DEFERRED COMPENSATION AND PENSION PLANS

Savings Plans

The Company maintains employee savings plans (qualified 401(k) retirement plans) covering substantially all of the Company's domestic, nonunion employees. Company contributions to these plans totalled $8,000,100, $7,719,400 and $6,000,200 for the years ended September 30, 1996, 1995, and 1994, respectively.

Deferred Compensation Plans

The Company's Executive Security Plan ("ESP") and Executive Deferral Plans ("EDP") are nonqualified deferred compensation programs that provide benefits payable to directors, officers and certain key employees or their designated beneficiaries at specified future dates, upon retirement or death. Benefit payments under both plans are funded by a combination of contributions from participants and the Company, and most of the participants are covered by life insurance policies with the Company designated as the beneficiary. Amounts charged to expense relating to these programs for the years ended September 30, 1996, 1995, and 1994 were $1,781,200, $1,601,000 and $5,568,000, respectively. Included in other deferred liabilities in the accompanying consolidated balance sheets at September 30, 1996 and 1995 was $19,092,700 and $17,597,200, respectively, relating to the ESP and EDP plans.

Pension Plans

In the United States, the Company contributes to various trusteed pension plans covering hourly construction employees under industry-wide agreements. Contributions are based on the hours worked by employees covered under these agreements and are charged to direct costs of contracts on a current basis. Information from the plans' administrators is not available to permit the Company to determine its share of unfunded benefits, if any. Company contributions to these plans totalled $3,538,900, $5,044,400 and $2,631,900 for the years ended September 30, 1996, 1995, and 1994, respectively.

The Company's U.K. subsidiary sponsors a contributory defined benefit pension plan covering substantially all permanent, full-time employees at least 21 years of age. Benefits are based on length of service and the employee's highest average salary for any three consecutive years in the plan, or, if higher, the employee's salary in the final year in the plan. The Company's funding policy is to fund the actuarially-determined accrued benefits, allowing for projected compensation increases using the projected unit method. The following table presents the funded status of the plan as of September 30, 1996 and 1995 (in thousands):

	1996	1995
Fair value of plan assets	$84,996	$77,330
Actuarial present value of benefit obligations (all vested)	69,604	68,121
Accumulated benefit obligation	69,604	68,121
Effect of projected compensation increases	2,368	2,081
Projected benefit obligation	71,972	70,202
Plan assets in excess of projected benefit obligation	13,024	7,128
Unrecognized (gains) losses	(1,823)	4,375
Prepaid pension asset	$11,201	$11,503

The components of net periodic pension cost (benefit) for each of the years ended September 30, 1996, 1995, and 1994 were as follows (in thousands):

	1996	1995	1994
Service costs	$ 1,258	$ 1,283	$ 1,206
Interest	5,624	5,399	4,878
Actual return on plan assets	(14,242)	(8,092)	(3,816)
Net amortization and deferral	7,418	1,530	(2,347)
Net pension cost (benefit)	$ 58	$ 120	$ (79)

The significant actuarial assumptions used in determining the funded status of the plan were as follows: weighted average discount rate - 8 percent; weighted average rate of increase in compensation - 6 percent; and, weighted average rate of return on pension assets - 8.5 percent. At September 30, 1996, the majority of the plan's assets were invested in equity securities (primarily those of companies trading in the U.K.) and fixed income securities.

5. PROVISION FOR INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 - Accounting for Income Taxes. Accordingly, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

For the years ended September 30, 1996, 1995, and 1994, the provisions for income taxes consisted of the following (in thousands):

	1996	1995	1994
Taxes currently payable:			
Federal	$22,927	$19,071	$13,196
State	5,316	4,026	2,912
Foreign	1,577	1,359	246
	29,820	24,456	16,354
Taxes deferred:			
Federal	(2,768)	(2,870)	(3,057)
State	(591)	(447)	(687)
	(3,359)	(3,317)	(3,744)
	$26,461	$21,139	$12,610

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their related amounts used for income tax purposes. The significant components of the Company's deferred tax assets (liabilities) at September 30, 1996 and 1995 were as follows (in thousands):

	1996	1995
Assets:		
Liabilities relating to employee benefit plans	$21,733	$17,711
Self-insurance reserves	11,038	9,396
Contract revenues and costs	5,559	4,044
Accruals for office consolidations and other special charges	914	2,102
Deferred gains on real estate transactions	293	657
Total deferred tax assets	39,537	33,910
Liabilities:		
Depreciation and amortization	(3,816)	(2,225)
Unremitted foreign earnings	(1,102)	(1,102)
State income and franchise taxes	(1,410)	(1,039)
Other, net	(271)	(233)
Total deferred tax liabilities	(6,599)	(4,599)
Net deferred tax asset	$32,938	$29,311

The reconciliations of the tax provisions recorded for the years ended September 30, 1996, 1995, and 1994 to those based on the federal statutory rate were as follows (in thousands):

	1996	1995	1994
Statutory amount	$23,388	$18,683	$10,982
State taxes, net of the federal benefit	3,071	2,326	1,447
Other, net	2	130	181
	$26,461	$21,139	$12,610
Rate used to compute statutory amount	35.00%	35.00%	35.00%

For the years ended September 30, 1996, 1995, and 1994, the Company paid approximately $30,940,000, $22,153,000 and $20,351,000, respectively, in income taxes.

For the years ended September 30, 1996, 1995, and 1994, consolidated income (loss) before income taxes included $4,707,100, $380,200 and ($3,017,500), respectively, from foreign operations. U.S. income taxes, net of applicable credits, have been provided on the undistributed profits of foreign subsidiaries, except in those instances where such profits are expected to be permanently reinvested (the amount of such profits expected to be permanently reinvested totalled $9,094,000 at September 30, 1996). Should these earnings be repatriated, approximately $2,447,000 of income taxes would be payable.

6. COMMITMENTS AND CONTINGENCIES

The Company leases certain of its facilities and equipment under operating leases with net aggregate future lease payments of $77,486,900 at September 30, 1996 payable as follows (in thousands):

Year ending September 30,	
1997	$24,624
1998	18,124
1999	14,074
2000	11,193
2001	6,113
Thereafter	8,728
	82,856
Less - amounts representing sublease income	5,369
	$77,487

Rent expense for the years ended September 30, 1996, 1995, and 1994 was approximately $27,190,200, $24,601,700 and $22,235,500, respectively, and was offset by sublease income of approximately $2,313,500, $1,326,700 and $1,085,100, respectively.

The Company maintains insurance coverage for various aspects of its business and operations. The Company has elected, however, to retain a portion of losses that occur through the use of various deductibles, limits and retentions under its insurance programs. This situation may subject the Company to some future liability for which it is only partially insured, or completely uninsured. The Company intends to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of its contracts.

The Company has entered into an employment agreement expiring September 30, 2001 with the Chairman of its Board of Directors. The agreement provides for base payments of $432,000 per year to either the Chairman or, in the event of his death, his beneficiary. The agreement also provides that the Chairman may participate in any bonus plan sponsored by the Company, specifies certain promotional and other activities to be performed by the Chairman in the event he leaves employment with the Company and contains other provisions, including some intended to prevent the Chairman from entering into any form of competition with the Company.

In the normal course of business, the Company is subject to certain contractual guarantees and litigation. Generally, such guarantees relate to construction schedules and plant performance. Most of the litigation involves the Company as a defendant in workers' compensation, personal injury, and other similar lawsuits. Management believes, after consultation with counsel, that these guarantees and litigation should not have any material adverse effect on the Company's consolidated financial statements.

Letters of credit outstanding at September 30, 1996 totalled $33,714,500.

7. COMMON AND PREFERRED STOCK

Pursuant to the Company's 1990 Stockholder Rights Plan, each outstanding share of common stock has attached to it one stock purchase right (a "Right"). Each Right entitles the common stockholder to purchase, in certain circumstances generally relating to a change in control of the Company, one two-hundredth of a share of the Company's Series A Junior Participating Cumulative Preferred Stock, par value $1.00 per share (the "Series A Preferred Stock") at the exercise price of $90 per share, subject to adjustment. Alternatively, the Right holder may purchase common stock of the Company having a market value equal to two times the exercise price, or may purchase shares of common stock of the acquiring corporation having a market value equal to two times the exercise price.

The Series A Preferred Stock confers to its holders rights as to dividends, voting and liquidation which are in preference to common stockholders. The Rights are nonvoting, are not presently exercisable and currently trade in tandem with the common shares. The Rights may be redeemed at $0.01 per Right by the Company in accordance with the Rights Plan. The Rights will expire on December 20, 2000, unless earlier exchanged or redeemed.

8. OTHER FINANCIAL INFORMATION

Accrued liabilities at September 30, 1996 and 1995 consisted of the following (in thousands):

	1996	1995
Accrued payroll and related liabilities	$ 60,772	$ 57,418
Insurance liabilities	27,888	24,254
Office consolidations and other special charge reserves	4,677	10,143
Other	16,724	17,353
	$110,061	$109,168

9. QUARTERLY DATA - UNAUDITED

Summarized quarterly financial information for the years ended September 30, 1996, 1995, and 1994 is presented below (in thousands, except per-share amounts):

1996	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Revenues	$471,121	$487,021	$436,820	$404,008	$1,798,970
Income before taxes	15,811	16,358	17,185	17,467	66,821
Net income	9,550	9,880	10,380	10,550	40,360
Net income per share	.37	.38	.40	.41	1.56
Stock price:					
High	25.375	29.375	28.375	27.375	29.375
Low	21.500	24.750	25.625	19.625	19.625
1995					
Revenues	$412,356	$396,746	$444,626	$469,329	$1,723,057
Income before taxes	12,086	12,505	13,909	14,881	53,381
Net income	7,300	7,552	8,402	8,988	32,242
Net income per share	.29	.30	.33	.35	1.27
Stock price:					
High	24.250	20.750	22.250	25.750	25.750
Low	16.875	17.250	19.125	21.625	16.875
1994					
Revenues	$260,610	$272,646	$263,768	$368,730	$1,165,754
Income (loss) before taxes	12,339	12,172	12,045	(5,179)	31,377
Net income (loss)	7,280	7,300	7,275	(3,088)	18,767
Net income (loss) per share	.29	.29	.29	(.12)	.75
Stock price:					
High	26.625	26.875	24.500	24.750	26.875
Low	22.000	23.250	18.000	19.875	18.000

Beginning August 1, 1994, the Company's results of operations include the results of certain businesses acquired from CRSS Inc. - see Note 1 above. Net income for the fourth quarter of 1994 included special charges totaling $10,200,000, or $0.40 per share.

The Company's common stock is listed on the New York Stock Exchange. At September 30, 1996, there were 1,965 shareholders of record.

REPORT OF ERNST & YOUNG LLP,
INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Jacobs Engineering Group Inc.

We have audited the accompanying consolidated balance sheets of Jacobs Engineering Group Inc. and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jacobs Engineering Group Inc. and subsidiaries at September 30, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Los Angeles, California

October 30, 1996

EXHIBIT 21

JACOBS ENGINEERING GROUP INC.

PARENTS AND SUBSIDIARIES

The following table sets forth all subsidiaries of the Company other than inactive and insignificant subsidiaries that, considered in the aggregate, would not constitute a significant subsidiary, including the percentage of issued and outstanding voting securities beneficially owned by the Company.

Jacobs Engineering Company, a California corporation....................	100%
Jacobs Engineering Group of Ohio, Inc., an Ohio corporation.............	100%
Jacobs Services Company, a California corporation.......................	100%
Jacobs Engineering, Inc., a Delaware corporation........................	100%
Jacobs Computing Services Limited, A Republic of Ireland company.......	100%
Pegasus Engineering Holdings Limited, a Republic of Ireland company....	100%
Jacobs/Pegasus Engineering Limited, a Republic of Ireland company...	100%
Forgael Limited, a Republic of Ireland company......................	100%
Jacobs International Limited, Inc., a Panama corporation................	100%
Jacobs International Limited, a Republic of Ireland company............	100%
Jacobs Engineering Limited, an English company.........................	100%
JE Professional Resources Limited, an English company...............	100%
Jacobs/H&G Engineering Limited, an English company..................	100%
Jacobs/Humphreys & Glasgow Limited, an English company..............	100%
Jacobs Constructors, Inc., a Louisiana corporation......................	100%
Jacobs Constructors of California Inc., a California corporation.......	100%
Jacobs Maintenance, Inc., a Louisiana corporation......................	100%
Jay Property Systems, Inc., a California corporation....................	100%
JE Merit Constructors, Inc., a Texas corporation........................	100%
JE Remediation Technologies, Inc., a Louisiana corporation.............	100%
JE Professional Resources, Inc., a California corporation...............	100%
The Pace Consultants, Inc., a Texas corporation.........................	100%
Payne & Keller Company, Inc., a Louisiana corporation...................	100%
Jacobs Applied Technology, Inc., a Delaware corporation.................	100%
Applied Engineering Company - Ohio, Inc., a South Carolina corporation...	100%
Triad Technologies, Inc., a Delaware corporation........................	100%
Willow Street Properties, Inc., a California corporation................	100%
CRSS Constructors, Inc., a Delaware corporation.........................	100%
CRSS International, Inc., a South Carolina corporation..................	100%
CRSS of New York, Inc., a New York corporation..........................	100%
Jacobs Engineering Foreign Sales Corporation, a Barbados corporation....	100%
Jacobs Engineering, S.A. de C.V., a Mexican corporation.................	100%

All subsidiaries are included in the Consolidated Financial Statements.

Dr. Joseph J. Jacobs may be deemed to be a "parent" of Jacobs Engineering Group Inc. under the federal securities laws. Refer to Item 12 of the accompanying report on Form 10-K for information about Dr. Jacobs' share

ownership and position with the Company.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Jacobs Engineering Group Inc. of our report dated October 30, 1996 included in the 1996 Annual Report to Shareholders of Jacobs Engineering Group Inc.

We also consent to the incorporation by reference in both the Registration Statement (Form S-8 No. 33-45914) pertaining to the Jacobs Engineering Group Inc. 1981 Executive Incentive Plan and in the Registration Statement (Form S-8 No. 33-45927) pertaining to the Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan of our report dated October 30, 1996 with respect to the consolidated financial statements of Jacobs Engineering Group Inc. and subsidiaries incorporated by reference in the Annual Report (Form 10-K) for the year ended September 30, 1996.

ERNST & YOUNG LLP

Los Angeles, California

December __, 1996

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	SEP 30 1996
PERIOD END	SEP 30 1996
CASH	62,865
SECURITIES	2,764
RECEIVABLES	276,668
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	383,644
PP&E	162,476
DEPRECIATION	83,467
TOTAL ASSETS	572,505
CURRENT LIABILITIES	228,075
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	25,745
OTHER SE	257,642
TOTAL LIABILITY AND EQUITY	572,505
SALES	0
TOTAL REVENUES	1,798,970
CGS	0
TOTAL COSTS	1,590,906
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	(1,444)
INCOME PRETAX	66,821
INCOME TAX	26,461
INCOME CONTINUING	40,360
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	40,360
EPS PRIMARY	1.56
EPS DILUTED	1.56

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