

JACOBS ENGINEERING GROUP INC /DE/

FORM 10-K405

(Annual Report (Regulation S-K, item 405))

Filed 12/23/97 for the Period Ending 09/30/97

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-K405
(Annual Report (Regulation S-K, item 405))

Filed 12/23/1997 For Period Ending 9/30/1997

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

Generated by EDGAR Online Pro
<http://pro.edgar-online.com>



Contact EDGAR Online
Customer Service: 203-852-5666
Corporate Sales: 212-457-8200

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

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended September 30, 1997
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number 1-7463

JACOBS ENGINEERING GROUP INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State of incorporation)

95-4081636
(I.R.S. employer identification number)

1111 SOUTH ARROYO PARKWAY, PASADENA, CALIFORNIA
(Address of principal executive offices)

91105
(Zip code)

Registrant's telephone number, including area code (626) 578-3500

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. (x)

The aggregate market value of the Registrant's voting stock held by non- affiliates was approximately \$547,214,000 as of December 19, 1997, 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 19, 1997, the Registrant had outstanding 25,664,660 shares of its common stock.

DOCUMENTS 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, Europe and India.

The Company focuses its services on selected industry groups and markets including chemicals; petroleum; 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).

Over the past several years, the Company has grown its business through both internal initiatives and strategic acquisitions. Such acquisitions have allowed the Company to (i) expand or enhance the range of services it provides its clients; (ii) expand its client base; and (iii) provide access to new geographical areas. The following is a description of some of the more significant acquisitions made by the Company over the past five years. It is not intended to list in detail all acquisitions made, but rather it is meant to assist in the understanding of the general development of the Company's business over the past five years (the year of acquisition is shown parenthetically):

Humphreys & Glasgow ("H&G")	This was one of the Company's earlier acquisitions outside the United States. H&G provides broad-based process engineering and design skills, and a large client base in the chemicals, pharmaceuticals and petroleum industries, among others. (Fiscal 1993)
The Wolder Group	This acquisition broadened the Company's geographic presence for its clients in the petroleum industry. It also helped to diversify the Company's west coast operations. (Fiscal 1993)
The Sigel Group	This acquisition expanded the Company's technical and project management capabilities in the biotechnology / pharmaceuticals industries. (Fiscal 1993)
CRS Serrine & CRSS Constructors	These acquisitions greatly expanded the Company's professional staff. They provided broad-based skills in the pulp and paper market (which was a new market for the Company), and enhanced the Company's capabilities for its clients in both the semiconductor and buildings & infrastructure markets. These acquisitions also strengthened the Company's capabilities in the area of construction management services, expanded the Company's client base, and provided increased resources in the southeast region of the United States. (Fiscal 1994)

HGC India

From 1993, when the Company acquired H&G, to 1997 HGC India was an unconsolidated affiliate of the Company. This acquisition gave the Company access to the Southern Asia market, expanded the Company's client base, added professional staff, and enhanced its existing engineering capabilities. (Fiscal 1997)

The Serete Group

This acquisition provided the Company with an established presence on continental Europe. It added professional staff, and enhanced the Company's existing engineering capabilities. It also expanded the Company's client base in several key market groups. (Fiscal 1997)

In addition to the particular advantages described above, these acquisitions, along with all other acquisitions made by the Company over the past five years, allowed the Company to grow its relationships with its major clients. By expanding into new geographical areas, and by adding to its existing technical and project management capabilities, the Company strives to position itself as a preferred, single-source provider of professional engineering and construction services to its major clients.

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, 1997 (in thousands of dollars):

	1993	1994	1995	1996	1997
Engineering Services	\$ 453,247	\$ 476,491	\$ 588,399	\$ 627,622	\$ 702,068
Field Services:					
Construction	424,259	456,750	881,574	925,681	813,926
Maintenance	265,420	232,513	253,084	245,667	264,622
	<u>\$1,142,926</u>	<u>\$1,165,754</u>	<u>\$1,723,057</u>	<u>\$1,798,970</u>	<u>\$1,780,616</u>
	=====	=====	=====	=====	=====

Engineering

The Company employs all of the engineering and related disciplines needed to engineer and design modern process plants (including projects for clients in the chemicals, pharmaceuticals and biotechnology, petroleum, 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 operation, 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; 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, 1997 (in thousands of dollars):

	1993	1994	1995	1996	1997
Chemicals	\$ 306,296	\$ 315,991	\$ 377,731	\$ 452,448	\$ 500,446
Semiconductor	70,249	83,477	264,492	268,520	335,595
Petroleum	404,462	372,769	480,472	417,739	248,799
Federal Programs	161,964	175,846	175,200	145,275	201,644
Buildings and Infrastructure	87,946	88,228	174,183	189,834	183,004
Pulp and Paper	-	7,258	85,476	170,553	154,135
Pharmaceuticals and Biotechnology	80,248	97,301	123,683	147,840	140,545
Other	31,761	24,884	41,820	6,761	16,448
	-----	-----	-----	-----	-----
	\$1,142,926	\$1,165,754	\$1,723,057	\$1,798,970	\$1,780,616
	=====	=====	=====	=====	=====

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 petroleum 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.

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.

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.

Petroleum

The Company provides its full line of services to its clients in the petroleum industry. Typical projects in the petroleum 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. Although the Company's revenues historically have related primarily to projects associated with petroleum refining, more recent contract awards are for services to pipeline companies and companies in businesses upstream of refiners.

Since 1993, many of the Company's contract awards in the petroleum 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.

Federal Programs

A significant portion 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. 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 U.S. Department of Energy ("DOE"), the Department of Defense ("DOD") and the U.S. Environmental Protection Agency ("USEPA").

Demand for the Company's services in this area is strongly affected by the level of enforcement of environmental laws and regulations, and the spending patterns of public and private clients. 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 DOE and DOD will continue to devote increasingly more of their resources to site remediation and cleanup.

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.

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 USEPA 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 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 laboratories and research and development facilities, vivariums, pilot plants, chemical production facilities, full-scale biotechnology production facilities, and fill- and-finish facilities. These projects will often employ state-of-the-art know-how in regulatory, barrier technology, and micro-environmental systems, as well as automation, manufacturing and distribution management.

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, 1993, 1994, 1995, 1996 and 1997, revenues from agencies of the U.S. federal government accounted for 14.1%, 15.4%, 11.4%, 8.7% and 12.0%, 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. One client in the private sector accounted for 11.6% and 13.1% of total revenues in 1994 and 1995, respectively. A separate client accounted for 15.3% of total revenues in 1997. 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, 1993, 1994, 1995, 1996 and 1997, revenues from the Company's international operations were approximately 10.8%, 5.6%, 5.4%, 10.3% and 23.5%, respectively, of total revenues. For fiscal years 1993 through 1996, substantially all such revenues related to the Company's offices in the U.K. and Ireland. In 1997, as discussed above, the Company completed the acquisitions of the Serete Group and HGC India. 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. HGC India has operations in India and executes projects for commercial clients in the chemical, pharmaceuticals and petroleum markets.

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, 1997:

	1993	1994	1995	1996	1997
Cost-reimbursable	90%	83%	88%	82%	82%
Guaranteed maximum price	3	8	1	2	2
Fixed-price	7	9	11	16	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 following table presents the approximate amount of such pass-through costs included in revenues for the years ended September 30, 1993, 1994, 1995, 1996 and 1997 (in millions):

1993	1994	1995	1996	1997
\$610.7	\$629.0	\$1,001.3	\$1,019.5	\$919.6

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, 1997, the Company had approximately 9,570 full-time employees. Additionally, as of September 30, 1997, there were approximately 6,300 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	81	Director and Chairman of the Board	1947
Noel G. Watson	61	President, Chief Executive Officer and Director	1965
Robert M. Barton	75	Secretary	1957
William R. Kerler	68	Executive Vice President, Operations	1980
Donald J. Boutwell	60	Group Vice President, Field Services	1984
Warren M. Dean	53	Group Vice President, Buildings & Infrastructure	1994
Arlan C. Emmert	52	Group Vice President, Western Region	1985
Thomas R. Hammond	46	Group Vice President, Central Region	1975
John McLachlan	51	Group Vice President, Northern Region	1974
Richard J. Slater	51	Group Vice President, European Region	1980
Roger L. Williams	59	Group Vice President, Southern Region	1983
Andrew E. Carlson	64	Senior Vice President, Quality and Safety	1990
Gregory J. Landry	49	Senior Vice President, Operations	1984
Craig L. Martin	48	Senior Vice President, General Sales and Marketing	1994
Michael J. Higgins	53	Senior Vice President, Federal Programs	1994
John W. Prosser, Jr.	52	Senior Vice President, Finance and Administration and Treasurer	1974
Nazim G. Thawerbhoy	50	Senior Vice President and Controller	1979
William C. Markley, III	52	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. Dean, Martin and Higgins, 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. Dean and Martin were part of the management of CRSS Inc., or one of its subsidiaries for at least five years. Before he joined the Company in 1994, Mr. Higgins was President and Chief Executive Officer of HazWaste Industries Inc. from 1989 to 1994.

ITEM 2. PROPERTIES

The Company owns and leases offices for its professional, technical and administrative staff totaling approximately 2.0 million square feet. The following is a list of the Company's principal locations:

Country	State	City
U.S.A.	California	Pasadena Long Beach 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
	Wisconsin	Green Bay
United Kingdom	-	London Glasgow
	-	Manchester
Republic of Ireland	-	Cork Dublin
France	-	Paris Lyon
Italy	-	Milan
Spain	-	Madrid
India	-	Mumbai New Delhi
	-	Calcutta
Chile	-	Santiago

In addition to these properties, the Company leases smaller, project offices located throughout the United States and, to a certain extent, France. 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. In addition, as a contractor for many agencies of the United States Government, the Company is subject to many levels of audits, investigations and claims by, or on behalf of, the government with respect to its contract performance, pricing, costs, cost allocations and procurement practices. Management believes, after consultation with counsel, that such guarantees, litigation, and United States Government contract-related audits, investigations and claims 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 page A-26 of Exhibit 13 to this report.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is hereby incorporated by reference from page A-2 of Exhibit 13 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 pages A-3 through A-7 of Exhibit 13 to this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is hereby incorporated by reference from pages A-8 through A-27 of Exhibit 13 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, 1997 and 1996 and for each of the three years in the period ended September 30, 1997, together with the report of the independent auditors on those consolidated financial statements are hereby incorporated by reference from Exhibit 13 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. 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.

- (S) 10.4 Agreement dated as of December 4, 1997 between the Registrant and Dr. Joseph J. Jacobs.
 - 10.5 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.
 - 10.6 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.
 - 10.7 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.
 - 10.8 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.
 - 10.9 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.
 - 10.10 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 Appendix A to the Company's Notice of 1998 Annual Meeting of Stockholders and Proxy Statement, 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. Appendix A to the Company's Notice of 1998 Annual Meeting of Stockholders and Proxy Statement (which contains the annual financial statements and financial information of Jacobs Engineering Group Inc. for the fiscal year ended September 30, 1997).
 - (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 333-01317 (filed February 29, 1996):

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 22, 1997

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 22, 1997
JOSEPH J. JACOBS ----- Joseph J. Jacobs	Director	December 22, 1997
----- Joseph F. Alibrandi	Director	December 22, 1997
PETER H. DAILEY ----- Peter H. Dailey	Director	December 22, 1997
ROBERT B. GWYN ----- Robert B. Gwyn	Director	December 22, 1997
LINDA K. JACOBS ----- Linda K. Jacobs	Director	December 22, 1997
J. CLAYBURN LaFORCE ----- J. Clayburn LaForce	Director	December 22, 1997
DALE R. LAURANCE ----- Dale R. Laurance	Director	December 22, 1997
LINDA FAYNE LEVINSON ----- Linda Fayne Levinson	Director	December 22, 1997
DAVID M. PETRONE ----- David M. Petrone	Director	December 22, 1997
JAMES L. RAINEY, JR. ----- James L. Rainey, Jr.	Director	December 22, 1997
JOHN W. PROSSER, JR. ----- John W. Prosser, Jr.	Senior Vice President Finance and Administration, and Treasurer (Principal Financial Officer)	December 22, 1997
NAZIM G. THAWERBHOY ----- Nazim G. Thawerbhoy	Senior Vice President and Controller (Principal Accounting Officer)	December 22, 1997

AGREEMENT

This agreement is made as of the 4th day of December, 1997, 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, 2001 to September 30, 2002. 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
 SELECTED HIGHLIGHTS
 FOR FISCAL YEARS ENDED SEPTEMBER 30
 (DOLLARS IN THOUSANDS, EXCEPT PER-SHARE INFORMATION)**

	1997	1996	1995
	-----	-----	-----
Revenues.....	\$1,780,616	\$1,798,970	\$1,723,057
Net income.....	46,895	40,360	32,242
	-----	-----	-----
Per-share information:			
Net income.....	\$ 1.80	\$ 1.56	\$ 1.27
Net book value.....	12.48	10.93	9.41
Closing year-end stock price.....	30.625	22.50	24.875
	-----	-----	-----
Total assets.....	\$ 744,203	\$ 572,505	\$ 533,947
Stockholders' equity.....	324,308	283,387	238,761
Return on average equity.....	15.43%	15.46%	14.68%
Stockholders of record.....	1,592	1,965	2,971
	-----	-----	-----
Backlog:			
Engineering services.....	\$ 912,057	\$ 845,300	\$ 828,400
Total.....	3,050,000	2,750,200	2,625,000
	-----	-----	-----
Permanent staff.....	9,570	7,350	7,600
	-----	-----	-----

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA
FOR FISCAL YEARS ENDED SEPTEMBER 30
(IN THOUSANDS, EXCEPT PER-SHARE INFORMATION)

	1997	1996	1995	1994	1993
Results of Operations:					
Revenues.....	\$1,780,616	\$1,798,970	\$1,723,057	\$1,165,754	\$1,142,926
Net income.....	46,895	40,360	32,242	18,767	28,670
Financial Position:					
Current ratio.....	1.55 to 1	1.68 to 1	1.44 to 1	1.41 to 1	1.61 to 1
Working capital.....	\$ 178,203	\$ 155,569	\$ 113,339	\$ 106,058	\$ 100,688
Current assets.....	503,921	383,644	368,614	367,485	264,949
Total assets.....	744,203	572,505	533,947	504,364	351,020
Long-term debt.....	54,095	36,300	17,799	25,000	--
Stockholders' equity...	324,308	283,387	238,761	200,433	173,797
Return on average equity.....	15.43%	15.46%	14.68%	10.03%	18.28%
Backlog:					
Engineering services..	\$ 912,057	\$ 845,300	\$ 828,400	\$ 793,060	\$ 736,600
Total.....	3,050,000	2,750,200	2,625,000	2,500,000	1,858,600
Per-share Information:					
Net income.....	\$ 1.80	\$ 1.56	\$ 1.27	\$ 0.75	\$ 1.15
Stockholders' equity...	12.48	10.93	9.41	7.96	6.96
Average Number of Common and Common Stock Equivalents Outstanding.					
	25,989	25,921	25,384	25,173	24,964

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

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
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, 1997 (in thousands):

	1997	1996	1995
Chemicals.....	\$ 500,446	\$ 452,448	\$ 377,731
Semiconductor.....	335,595	268,520	264,492
Petroleum.....	248,799	417,739	480,472
Federal programs.....	201,644	145,275	175,200
Buildings and infrastructure.....	183,004	189,834	174,183
Pulp and paper.....	154,135	170,553	85,476
Pharmaceuticals and biotechnology.....	140,545	147,840	123,683
Other.....	16,448	6,761	41,820
	-----	-----	-----
	\$1,780,616	\$1,798,970	\$1,723,057
	=====	=====	=====

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, 1997 (in thousands):

	1997	1996	1995
Engineering services.....	\$ 702,068	\$ 627,622	\$ 588,399
Field services:			
Construction.....	813,926	925,681	881,574
Maintenance.....	264,622	245,667	253,084
	-----	-----	-----
	\$1,780,616	\$1,798,970	\$1,723,057
	=====	=====	=====

1997 Compared to 1996

Consolidated revenues in 1997 totalled \$1.8 billion, which was substantially the same as the 1996 amount. Revenues in 1997 from engineering services, however, increased by \$74.4 million, or 11.9 percent, from last year. The increase in engineering services activity was due in part to certain acquisitions the Company completed in 1997, and in part to internal growth.

The Company considers the level of engineering services it provides an important indicator of its overall financial performance. Engineering services absorb a significant portion of the Company's general and administrative expenses. In addition, the Company believes that engineering services activity is a leading indicator of possible future opportunities to provide construction and construction management services.

Revenues from construction services declined 12.1 percent from 1996 to 1997. This decline was attributable primarily to the completion of several large projects late in 1996 and early in 1997, which were not replaced by new construction projects. Revenues from maintenance services increased 7.7 percent from 1996 to 1997. This increase was due to a pick-up from last year in the level of turnaround activity, combined with new awards for maintenance services. Contributing to the decrease in overall field services revenues from 1996 to 1997 was an \$83.0 million decline 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 86.9 percent in 1997, versus 88.4 percent in 1996. 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 1996 to 1997 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 \$160.2 million in 1997; this was \$16.7 million, or 11.6 percent, more than the 1996 amount. Of the increase, approximately \$12.8 million was attributed to businesses acquired during 1997. The increase in S,G & A expenses corresponds to the increase in the Company's engineering services, and reflects its continuing efforts to control such costs throughout its operations.

The Company's operating profit (defined as total revenues, less direct costs of contracts, and S,G & A expenses) totalled \$73.6 million in 1997; this was \$9.0 million more than the 1996 amount. In general, the improvement was due to the increase in engineering services discussed above, combined with higher margin rates for all of the Company's services.

Interest income, net totalled \$3.0 million in 1997; this was \$1.5 million more than the 1996 amount. The increase in net interest income was due primarily to higher levels of cash invested during 1997 as compared to 1996, combined with slightly better rates of interest earned on such investments.

1996 Compared to 1995

Consolidated revenues increased 4.4 percent from 1995 to 1996. This increase was comprised of a 6.7 percent increase in engineering services revenues and an overall 3.2 percent increase in field services revenues.

With respect to the Company's field services activity in 1996, and while revenues from construction activities increased 5.0 percent from 1995, revenues from maintenance activities were down 2.9 percent from the prior 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 petroleum 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.

As a percent of revenues, direct costs of contracts was 88.4 percent in 1996, versus 89.0 percent in 1995. 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 S,G & A expenses totalled \$143.5 million in 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 totalled \$64.6 million in 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 in 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 in 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.

BACKLOG

The following table summarizes the Company's total backlog at September 30, 1997, 1996, and 1995 (in millions):

	1997	1996	1995
	-----	-----	-----
Engineering services.....	\$ 912.1	\$ 845.3	\$ 828.4
Total.....	3,050.0	2,750.2	2,625.0
	=====	=====	=====

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, 1997 included approximately \$923.0 million of contracts for work to be performed either directly or indirectly for agencies of the U.S. federal government. This compares to approximately \$1.0 billion and \$1.1 billion of federal backlog at September 30, 1996 and 1995, respectively. 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 \$125.2 million from 1995 to 1996, and it increased by \$299.8 million from 1996 to 1997. Most of the 1996 increase was due to new awards from clients in the petroleum and chemicals industries, combined with scope expansions on a project in the semiconductor industry. A significant portion of the 1997 increase was also due to new awards in the petroleum and chemicals industries, combined with backlog acquired in conjunction with several acquisitions made by the Company in 1997.

Of total backlog at September 30, 1997, the Company estimates that approximately 40 percent 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

Because a significant portion of the Company's revenues over recent years has been earned under cost-reimbursable type contracts, the effects of inflation on the Company's financial condition and results of operations have been generally low. However, as the Company expands its business into markets and geographical areas where fixed-price and lump-sum work is more prevalent, inflation may begin to have a larger impact on the Company's results of operations. To the extent permitted by

competition, the Company intends to continue to emphasize contracts which are either cost-reimbursable or negotiated fixed-price. For contracts the Company accepts with fixed-price or lump-sum payment terms, the Company monitors closely the actual costs on the project as they compare to the budget estimates. On these projects, the Company also attempts to secure fixed-price commitments from key subcontractors and vendors. However, due to the competitive nature of the Company's industry, combined with the fluctuating demands and prices associated with personnel, equipment and materials the Company traditionally needs to perform on its contracts, there can be no guarantee that inflation will not effect the Company's results of operations in the future.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents decreased \$6.9 million during 1997. This compares to a net increase of \$23.7 million in 1996, and a net decrease of \$6.5 million during 1995. The current year decrease was due primarily to cash used in investing activities (\$69.5 million), offset in part by cash provided by operations (\$43.9 million) and financing activities (\$20.3 million).

Operations provided \$43.9 million of cash and cash equivalents in 1997. This compares to net contributions of cash of \$54.3 million in 1996 and \$32.0 million in 1995. The \$10.4 million decrease in cash provided by operations from 1996 to 1997 occurred in spite of higher net income (\$6.5 million) and depreciation and amortization expense (\$1.5 million), which was offset in part primarily by the timing of cash receipts and payments relating to receivables and prepaid expenses, and trade payables, customer advances and accrued liabilities, respectively (\$19.0 million).

The Company's investing activities used \$69.5 million of cash and cash equivalents in 1997. This compares to net uses of cash of \$40.0 million in 1996 and \$45.0 million in 1995. The \$29.5 million increase in cash used in investing activities from 1996 to 1997 was due primarily to an increase in property and equipment additions (\$11.3 million), and an increase in additions to other, long-term assets (\$14.1 million). Both the increase in fixed asset additions and the increase in additions to other, long-term assets relate primarily to two businesses the Company acquired during 1997.

During 1997, cash used to purchase and make investments decreased \$17.2 million as compared to 1996, while cash used to purchase marketable securities increased \$20.0 million. Included in the amount of cash used in 1996 to purchase and make investments was the Company's purchase of 49 percent interests in various engineering and construction companies comprising the Serete Group (which is headquartered in France). No similar investment transactions occurred in 1997 (although the Company did complete the purchase of the remaining interests in most of the members of the Serete Group in 1997; however, the net cash used for this transaction is included in the line "Acquisition of businesses, net of cash acquired"). Cash used in 1997 to purchase marketable securities related to a \$20.0 million deposit with a U.S. bank made by the Company under a managed investment program. The bank has full investment and dispositive powers over the assets held in the account. The program emphasizes the preservation of capital through investment-grade, marketable debt instruments which have maximum maturities of ten years.

The Company's financing activities provided \$20.3 million of cash and cash equivalents in 1997. This compares to a net contribution of cash of \$9.6 million in 1996 and \$6.6 million in 1995. The increase in cash provided from financing activities from 1996 to 1997 was due primarily to higher cash flows from the issuance of stock to employees (\$2.7 million), and increased borrowings of long-term bank debt (\$2.5 million). Also contributing to the increase in cash provided by financing activities in 1997 as compared to 1996 was the use in 1996 of \$15.7 million to repay short-term bank debt; no similar use occurred in 1997. Offsetting these sources of additional financing funds in 1997 as compared to 1996 was an increase in the amount of cash used to purchase treasury stock (\$8.5 million). The Company's stock buy-back program was initiated during the second half of 1996.

The Company believes it has adequate capital resources available to fund operations in 1998 and beyond. The Company's consolidated working capital position totalled \$178.2 million at September 30, 1997; this was \$22.6 million more than the comparable 1996 amount. At September 30, 1997, the Company had a total of \$48.0 million available under all of its short-term bank credit facilities, against which \$1.3 million was outstanding in the form of direct borrowings.

COSTS ASSOCIATED WITH "YEAR 2000 ISSUE"

The Company continues to evaluate what effects, if any, Year 2000 issues may have on its operations. At present, the Company does not believe such issues will have any material adverse effect on its consolidated financial statements.

EFFECT OF RECENTLY-ISSUED ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards No. 128--Earnings per Share ("SFAS No. 128"). SFAS No. 128 simplifies the standards for calculating earnings per share, and makes them comparable to international accounting standards. SFAS 128 will be effective for the Company beginning with the first fiscal quarter of 1998. The Company does not believe the adoption of SFAS 128 will have a material effect on its consolidated results of operations.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1997 AND 1996
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

	1997	1996
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 55,992	\$ 62,865
Marketable securities.....	21,130	2,764
Receivables.....	382,051	276,668
Deferred income taxes.....	40,352	37,564
Prepaid expenses and other.....	4,396	3,783
	-----	-----
Total current assets.....	503,921	383,644
	-----	-----
Property, Equipment and Improvements, Net.....	93,401	79,009
	-----	-----
Other Noncurrent Assets:		
Goodwill, net.....	75,445	40,481
Other.....	71,436	69,371
	-----	-----
Total other noncurrent assets.....	146,881	109,852
	-----	-----
	\$744,203	\$572,505
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable.....	\$ 1,443	\$ 694
Accounts payable.....	109,098	60,799
Accrued liabilities.....	129,767	110,061
Customers' advances in excess of related revenues.....	77,149	47,052
Income taxes payable.....	8,261	9,469
	-----	-----
Total current liabilities.....	325,718	228,075
	-----	-----
Long-term Debt.....	54,095	36,300
	-----	-----
Other Deferred Liabilities, Including Deferred Gains on Real Estate Transactions.....	34,620	24,743
	-----	-----
Minority Interests.....	5,462	--
	-----	-----
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 -- 25,810,860 and 25,745,329 shares, respectively.....	25,811	25,745
Additional paid-in capital.....	52,186	49,191
Retained earnings.....	249,791	207,639
Other.....	(2,744)	1,039
	-----	-----
Total stockholders' equity.....	325,044	283,614
	-----	-----
Less, cost of common stock held in treasury (25,000 shares in 1997, 10,000 shares in 1996).....	736	227
	-----	-----
Total stockholders' equity.....	324,308	283,387
	-----	-----
	\$744,203	\$572,505
	=====	=====

See the accompanying notes.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 1997, 1996, AND 1995
(IN THOUSANDS, EXCEPT PER-SHARE INFORMATION)

	1997	1996	1995
	-----	-----	-----
Revenues.....	\$1,780,616	\$1,798,970	\$1,723,057
	-----	-----	-----
Costs and Expenses:			
Direct costs of contracts.....	1,546,898	1,590,906	1,533,832
Selling, general and administrative expenses.....	160,157	143,456	136,562
Interest income, net.....	(2,959)	(1,444)	(359)
Other income, net.....	(929)	(769)	(359)
	-----	-----	-----
	1,703,167	1,732,149	1,669,676
	-----	-----	-----
Income before taxes.....	77,449	66,821	53,381
	-----	-----	-----
Income Tax Expense.....	30,554	26,461	21,139
	-----	-----	-----
Net Income.....	\$ 46,895	\$ 40,360	\$ 32,242
	=====	=====	=====
Net Income Per Share.....	\$ 1.80	\$ 1.56	\$ 1.27
	=====	=====	=====

See the accompanying notes.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 1997, 1996, AND 1995
(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	OTHER	TREASURY STOCK (AT COST)
	-----	-----	-----	-----	-----
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)
Net foreign currency translation adjustment.....	--	--	--	(3,444)	--
Net unrealized losses on marketable securities.....	--	--	--	(507)	--
Repurchases of common stock..	(73)	(446)	(1,896)	--	(12,075)
Exercises of stock options, including the related income tax benefits.....	133	3,285	(2,847)	--	11,566
Issuance of restricted stock, net of amortization.....	6	156	--	168	--
Net income.....	--	--	46,895	--	--
	-----	-----	-----	-----	-----
Balances, September 30, 1997..	\$25,811	\$52,186	\$249,791	\$(2,744)	\$ (736)
	=====	=====	=====	=====	=====

See the accompanying notes.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 1997, 1996, AND 1995
(IN THOUSANDS)

	1997	1996	1995
	-----	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 46,895	\$ 40,360	\$ 32,242
Adjustments to reconcile net income to net cash flows from operations:			
Depreciation and amortization.....	19,626	18,118	15,013
Amortization of deferred gains.....	(820)	(820)	(820)
(Gains) losses on disposals of property, equipment and other assets.....	(742)	(259)	22
Changes in assets and liabilities, excluding the effects of businesses acquired:			
Receivables.....	(34,849)	15,255	(7,402)
Prepaid expenses and other current assets....	(416)	(1,182)	737
Accounts payable.....	783	(2,911)	(24,146)
Accrued liabilities.....	18,537	(1,588)	11,791
Customers' advances.....	(1,685)	(7,420)	7,082
Income taxes payable.....	(932)	(1,743)	2,725
Deferred income taxes.....	(2,784)	(3,818)	(5,313)
Other, net.....	330	287	68
Net cash provided.....	----- 43,943	----- 54,279	----- 31,999
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment.....	(28,025)	(16,694)	(34,971)
Disposals of property and equipment.....	289	745	784
Increase in other assets, net.....	(16,780)	(2,689)	(3,228)
Additions to investments.....	(4,491)	(21,705)	(3,001)
Proceeds from sales of investments.....	936	301	--
Purchases of marketable securities.....	(20,000)	--	--
Proceeds from sales of marketable securities....	1,837	--	91
Acquisitions of businesses, net of cash acquired.....	(3,307)	--	(4,683)
Net cash used.....	----- (69,541)	----- (40,042)	----- (45,008)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Exercises of stock options, including the related income tax benefits.....	10,970	8,258	6,521
Purchases of treasury stock.....	(12,075)	(3,590)	--
Increases to long-term debt.....	21,415	18,881	17,799
Payments on long-term debt.....	--	--	(25,000)
Increase (decrease) in short-term borrowings....	--	(15,739)	7,242
Other, net.....	--	1,768	--
Net cash provided.....	----- 20,310	----- 9,578	----- 6,562
Effect of Exchange Rate Changes.....	(1,585)	(68)	(46)
Increase (Decrease) in Cash and Cash Equivalents.	(6,873)	23,747	(6,493)
Cash and Cash Equivalents at Beginning of Period.	62,865	39,118	45,611
Cash and Cash Equivalents at End of Period.....	=====	=====	=====
	\$ 55,992	\$ 62,865	\$ 39,118

See the accompanying notes.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

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. Certain 1996 balances in the accompanying consolidated balance sheet have been reclassified to conform to the 1997 presentation.

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 primarily throughout the United States, 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, 1997, 1996, and 1995 was as follows:

	1997	1996	1995
Cost-reimbursable.....	82%	82%	88%
Guaranteed maximum.....	2	2	1
Fixed-price.....	16	16	11

For the years ended September 30, 1997, 1996, and 1995, projects with or for the benefit of agencies of the U.S. federal government accounted for 12.0 percent, 8.7 percent and 11.4 percent, respectively, of total revenues. Within the private sector, one client accounted for 15.3 percent of total revenues in 1997, and a different client accounted for 13.1 percent of revenues in 1995. No single private-sector client accounted for 10 percent or more of total revenues in 1996.

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.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Foreign Operations

In 1995, 1996, and for most of 1997, the Company's operations outside of the United States were conducted primarily through its offices in the U.K. and Ireland. Then in 1997, as more fully discussed in Note 2 below, the Company acquired controlling interests in various engineering and construction companies located in India, France, Spain, Italy and Santiago, Chile. The following table summarizes certain financial information of the Company for geographic areas outside the United States (in thousands):

	REVENUES	OPERATING PROFIT	IDENTIFIABLE ASSETS
1997:			
Europe.....	\$412,298	\$15,659	\$107,493
Southern Asia (India).....	5,302	483	39,139
1996 (principally Europe).....	176,427	6,494	83,917
1995 (principally Europe).....	92,514	1,053	74,265

Revenues were earned from unaffiliated customers located primarily within the respective geographic areas. Operating profit is defined as total revenues, less direct costs of contracts, and selling general and administrative expenses, and excludes corporate expenses. Identifiable assets exclude general corporate assets (such as cash in excess of local working capital requirements, and investments). The results of the Company's operations in Chile in 1997 were not material.

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, 1997 and 1996 consisted primarily of time certificates of deposit.

Marketable Securities and Investments

The Company's investments in equity and debt securities are 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, 1997 and 1996 totalled \$114,000 and \$621,600, respectively.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes certain information regarding the Company's available-for-sale equity securities at September 30, 1997 and 1996, and for each of the years then ended (in thousands):

	1997	1996
	-----	-----
Total cost (specific identification method).....	\$117	\$ 368
Gross unrealized gains.....	190	1,351
Estimated fair value.....	307	1,719
Gross realized gains.....	686	156
Gross proceeds from sales.....	937	201

Included in marketable securities at September 30, 1997 was a \$20,000,000 deposit with a U.S. bank made under a managed investment program. The bank has full investment and dispositive powers over the assets held in the account. The program emphasizes the preservation of capital through investment-grade, marketable debt instruments which have maximum maturities of ten years.

Receivables and Customers' Advances

Included in receivables at September 30, 1997 and 1996 were unbilled amounts of \$82,972,400 and \$50,770,100, 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, 1997 and 1996 were contract retentions totaling \$5,708,100 and \$12,616,000, 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, 1997 and 1996 (in thousands):

	1997	1996
	-----	-----
Land.....	\$ 12,983	\$ 10,028
Buildings.....	38,876	38,762
Equipment.....	114,127	100,874
Leasehold improvements.....	18,411	12,812
	-----	-----
	184,397	162,476
Less -- accumulated depreciation and amortization.....	90,996	83,467
	-----	-----
	\$ 93,401	\$ 79,009
	=====	=====

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 \$6,908,000 and \$4,997,700 at September 30, 1997 and 1996, respectively.

Other noncurrent assets consisted of the following at September 30, 1997 and 1996 (in thousands):

	1997	1996
	-----	-----
Prepaid pension costs.....	\$11,509	\$11,201
Cash surrender value of life insurance policies.....	23,775	20,758
Investments.....	17,014	35,000
Notes receivable.....	14,602	749
Miscellaneous.....	4,536	1,663
	-----	-----
	\$71,436	\$69,371
	=====	=====

In 1996, the Company purchased 49 percent interests in various engineering and construction companies comprising the Serete Group (which is headquartered in France). The purchase price was \$18,881,300. In 1997, the Company purchased substantially all of the remaining interests of most of the entities in the Serete Group (see Note 2., below). Prior to the 1997 transaction, the Company had been accounting for its investment in the Serete Group using the equity method.

Net Income Per Share

Net income per share has been computed in accordance with Accounting Principles Board ("APB") Opinion No. 15 -- Earnings per Share. Accordingly, 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):

	1997	1996	1995
	-----	-----	-----
Average number of shares of common stock outstanding.....	25,727	25,613	25,208
Average number of common stock equivalents outstanding.....	262	308	176
	-----	-----	-----
	25,989	25,921	25,384
	=====	=====	=====

The Company will adopt the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128 (also titled "Earnings per Share") beginning with the first fiscal quarter of 1998.

Stock-based Compensation

The Company accounts for stock issued to employees and outside directors in accordance with APB Opinion No. 25 -- Accounting for Stock Issued to Employees ("APB No. 25"). APB No. 25 prescribes an intrinsic value based method for accounting for stock options. Since the stock issued to

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

participants in Company's stock purchase and stock option plans (described in Note 4., below) have little or no intrinsic value as of the grant date, no compensation cost is recorded.

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.

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).

2. ACQUISITIONS

In February 1997, the Company acquired for cash certain physical assets and contracts of an engineering business with operations in Denver, Colorado and Santiago, Chile. Also in February 1997, the Company acquired for cash a 51 percent controlling interest in an affiliated entity headquartered in Mumbai, India (this interest was increased to 70 percent in a cash transaction in September 1997). In April 1997, the Company acquired for cash and notes certain assets and liabilities of an engineering business headquartered in Green Bay, Wisconsin. Finally, in July 1997, the Company completed the acquisition of the remaining interests of most of the entities in the Serete Group.

The sum of the individual purchase prices totaled \$29,781,500. Each of these acquisitions have been accounted for as a purchase, and the results of operations of each acquired business have been included in the Company's consolidated results of operations since the respective dates of acquisition. The initial purchase price allocations, which may be adjusted further, resulted in goodwill of approximately \$36,054,000. The pro forma effects on the Company's consolidated results of operations assuming these acquisitions had occurred at the beginning of fiscal 1996 and fiscal 1997 are not material.

3. NOTES PAYABLE TO BANKS AND LONG-TERM DEBT

Short-term Credit Arrangements

At September 30, 1997, the Company had approximately \$47,978,000 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. Most of the agreements require the payment of a fee based on the amount of the facility. The Company is also required to maintain certain minimum levels of working capital and net worth. Two of the agreements limit borrowings by the amount of letters of credit outstanding under the facility. Borrowings under the lines are generally unsecured, and the lines extend through the second and third fiscal quarters of 1998.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other information regarding the lines of credit for the years ended September 30, 1997, 1996, and 1995 follows (dollars in thousands):

	1997	1996	1995
	-----	-----	-----
Amount outstanding at year end.....	\$1,317	\$ 694	\$16,587
Weighted average interest rate at year end.....	8.23%	7.00%	7.63%
Weighted average borrowings outstanding during the year.....	\$ 183	\$12,270	\$12,328
Weighted average interest rate during the year....	9.48%	7.10%	7.11%
Maximum amount outstanding during the year.....	\$1,368	\$17,406	\$28,203

Long-term Debt and Credit Arrangements

Long-term debt consisted of the following at September 30, 1997 and 1996 (in thousands):

	1997	1996
	-----	-----
Mortgage loan, due May 2000.....	\$16,045	\$17,640
Borrowings under the Company's unsecured, \$45,000 revolving credit agreement.....	38,050	18,660
	-----	-----
	\$54,095	\$36,300
	=====	=====

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, 1997 was 6.86 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 August 2000.

Interest expense for the years ended September 30, 1997, 1996, and 1995 was \$2,958,700, \$2,777,400 and \$2,216,000, respectively, and has been included with interest income in the accompanying consolidated statements of income. Interest payments made during each of these years totalled \$1,801,500, \$2,552,300 and \$2,044,500, respectively.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STOCK PURCHASE AND STOCK OPTION PLANS

Stock Purchase Plan

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, 1997, 1996, and 1995 follows:

	1997	1996	1995
Aggregate purchase price.....	\$7,067,700	\$6,310,960	\$5,604,570
Shares purchased.....	325,110	290,430	314,300

At September 30, 1997, there were 995,502 shares reserved for issuance under the 1989 ESPP.

Stock Option Plan

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. The Company may grant four types of incentive awards under the 1981 Plan: incentive stock options, nonqualified stock options, stock appreciation rights, and restricted stock. At September 30, 1997, there were 3,195,204 shares of common stock reserved for issuance under the 1981 Plan.

Information regarding the number of shares under options granted through the 1981 Plan for each of the years ended September 30, 1997, 1996, and 1995 follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding at the beginning of fiscal:		
1995.....	1,412,959	\$19.63
1996.....	1,576,059	19.80
1997.....	1,789,323	21.69
Options granted during fiscal:		
1995.....	324,000	\$19.04
1996.....	406,000	25.30
1997.....	472,000	22.66
Options exercised during fiscal:		
1995.....	77,400	\$10.28
1996.....	134,686	10.96
1997.....	270,969	15.35
Options expired or canceled during fiscal:		
1995.....	83,500	\$22.80
1996.....	58,050	20.72
1997.....	61,520	20.46
Options outstanding at the end of fiscal:		
1995.....	1,576,059	\$19.80
1996.....	1,789,323	21.69
1997.....	1,928,834	22.85
	=====	=====

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Certain other information regarding the Company's stock options follows:

	1997	1996	1995
Range of option prices for options outstanding at the end of the year.....	\$5.31 to \$28.56	\$5.31 to \$28.56	\$4.25 to \$28.20
Options exercisable at the end of the year.....	807,034	781,653	637,229
Range of exercise prices for options exercised during the year.....	\$7.94 to \$27.88	\$4.25 to \$25.84	\$5.07 to \$19.34
Options available for grant at the end of the year.....	1,266,370	484,350	839,300
Weighted-average fair value of options granted during the year.....	\$22.66	\$27.69	

The following tables present certain additional information regarding options outstanding at September 30, 1997 (contractual life is expressed in whole years):

OPTIONS OUTSTANDING AT SEPTEMBER 30, 1997

RANGE OF EXERCISE PRICES	NUMBER	WEIGHTED AVERAGE	
		REMAINING CONTRACTUAL LIFE	EXERCISE PRICE
\$ 5.31.....	7,200	2	\$ 5.31
\$15.86 - 16.58.....	113,804	1	\$15.91
\$17.32 - 18.17.....	102,600	4	\$17.50
\$18.81 - 19.87.....	218,950	5	\$19.52
\$20.40 - 23.27.....	495,680	7	\$21.07
\$23.63 - 24.88.....	442,900	7	\$24.23
\$25.45 - 26.24.....	178,500	3	\$26.13
\$27.50 - 28.56.....	369,200	7	\$27.96
	1,928,834	6	\$22.85
	=====	===	=====

OPTIONS EXERCISABLE AT SEPTEMBER 30, 1997

RANGE OF EXERCISE PRICES	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
\$ 5.31.....	7,200	\$ 5.31
\$15.86 - 16.58.....	106,004	\$15.89
\$17.32 - 18.17.....	55,000	\$17.44
\$18.81 - 19.87.....	78,850	\$19.51
\$20.40 - 23.27.....	128,880	\$21.04
\$23.63 - 24.88.....	109,400	\$24.55
\$25.45 - 26.24.....	147,000	\$26.23
\$27.50 - 28.56.....	174,700	\$27.94
	807,034	\$22.74
	=====	=====

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Options outstanding at September 30, 1997 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.

The Company issued 5,500, 9,000 and 61,000 shares of restricted stock under the 1981 Plan during each of the years ended September 30, 1997, 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 (\$329,900, \$285,800 and \$67,500 of compensation expense was recognized in 1997, 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.

Pro Forma Disclosures

As discussed in Note 1., above, the Company accounts for stock issued to employees and outside directors in accordance with APB No. 25. In October 1995, the Financial Accounting Standards Board adopted SFAS No. 123 -- Accounting for Stock-Based Compensation. SFAS No. 123 prescribes an optional, fair-value based method of accounting for stock issued to employees and others. The Company's pro forma net income and net income per share in 1997 and 1996 using the Black-Scholes option valuation model for stock awards in those years follows, along with a summary of the significant assumptions used in the valuation (dollars in thousands, except earnings per share):

	1997	1996
Pro forma net income.....	\$43,022	\$39,218
Pro forma net income per share.....	1.66	1.51
Assumptions used:		
Dividend yield.....	0%	0%
Expected volatility.....	21.57%	28.50%
Risk-free interest rate.....	6.50%	6.48%
Expected life (years).....	6.25	6.68
	=====	=====

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Additionally, option valuation models require the use of highly subjective assumptions including the expected volatility of the underlying stock price. Because the Company's stock options possess characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the Company believes that existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

The pro forma effects of SFAS No. 123 on reported net income as presented above is not necessarily representative of the pro forma effects in future years.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. 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. For the years ended September 30, 1997, 1996, and 1995, Company contributions to these plans totalled \$8,710,500, \$8,000,100 and \$7,719,400, 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, 1997, 1996, and 1995 were \$1,672,600, \$1,781,200 and \$1,601,000, respectively. Included in other deferred liabilities in the accompanying consolidated balance sheets at September 30, 1997 and 1996 was \$23,446,800 and \$19,092,700, respectively, relating to the ESP and EDP plans.

Pension Plans

In the United States, the Company contributes to various trustee 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 \$2,694,700, \$3,538,900 and \$5,044,400 for the years ended September 30, 1997, 1996, and 1995, 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, 1997 and 1996 (in thousands):

	1997	1996
	-----	-----
Fair value of plan assets.....	\$97,984	\$84,996
Actuarial present value of benefit obligations (all vested).....	75,498	69,604
Accumulated benefit obligation.....	75,498	69,604
Effect of projected compensation increases.....	3,478	2,368
Projected benefit obligation.....	78,976	71,972
Plan assets in excess of projected benefit obligation.....	19,008	13,024
Unrecognized gains.....	(7,499)	(1,823)
Prepaid pension asset.....	\$11,509	\$11,201
	=====	=====

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The components of net periodic pension cost for each of the years ended September 30, 1997, 1996, and 1995 were as follows (in thousands):

	1997	1996	1995
	-----	-----	-----
Service costs.....	\$ 1,484	\$ 1,258	\$ 1,283
Interest.....	6,621	5,624	5,399
Actual return on plan assets.....	(14,094)	(14,242)	(8,092)
Net amortization and deferral.....	6,074	7,418	1,530
	-----	-----	-----
Net pension cost.....	\$ 85	\$ 58	\$ 120
	=====	=====	=====

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, 1997, the majority of the plan's assets were invested in equity securities (primarily those of companies trading in the U.K. and other European stock markets) and fixed income securities.

6. PROVISION FOR INCOME TAXES

The Company accounts for income taxes in accordance with SFAS 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.

Consolidated income tax expense for the years ended September 30, 1997, 1996, and 1995 consisted of the following (in thousands):

	1997	1996	1995
	-----	-----	-----
Taxes currently payable:			
Federal.....	\$23,255	\$22,927	\$19,071
State.....	4,515	5,316	4,026
Foreign.....	4,519	1,577	1,359
	-----	-----	-----
	32,289	29,820	24,456
	-----	-----	-----
Taxes deferred:			
Federal.....	(1,563)	(2,768)	(2,870)
State.....	(172)	(591)	(447)
	-----	-----	-----
	(1,735)	(3,359)	(3,317)
	-----	-----	-----
	\$30,554	\$26,461	\$21,139
	=====	=====	=====

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, 1997 and 1996 were as follows (in thousands):

	1997	1996
	-----	-----
Assets:		
Liabilities relating to employee benefit plans.....	\$24,306	\$21,733
Self-insurance reserves.....	10,395	11,038
Contract revenues and costs.....	8,018	5,559
Accruals for office consolidations and other special charges.....	344	914
Deferred gains on real estate transactions.....	50	293
	-----	-----
Total deferred tax assets.....	43,113	39,537
	-----	-----
Liabilities:		
Depreciation and amortization.....	(3,809)	(3,816)
Unremitted foreign earnings.....	(2,065)	(1,102)
State income and franchise taxes.....	(1,564)	(1,410)
Other, net.....	(234)	(271)
	-----	-----
Total deferred tax liabilities.....	(7,672)	(6,599)
	-----	-----
Net deferred tax asset.....	\$35,441	\$32,938
	=====	=====

Included in "Other deferred liabilities" in the accompanying consolidated balance sheets at September 30, 1997 and 1996 are deferred tax liabilities of \$4,911,000 and \$4,626,000, respectively.

The reconciliations of the tax provisions recorded for the years ended September 30, 1997, 1996, and 1995 to those based on the federal statutory rate were as follows (in thousands):

	1997	1996	1995
	-----	-----	-----
Statutory amount.....	\$27,107	\$23,388	\$18,683
State taxes, net of the federal benefit.....	2,824	3,071	2,326
Other, net.....	623	2	130
	-----	-----	-----
	\$30,554	\$26,461	\$21,139
	=====	=====	=====
Rate used to compute statutory amount.....	35.00%	35.00%	35.00%
	=====	=====	=====

For the years ended September 30, 1997, 1996, and 1995, the Company paid approximately \$32,038,000, \$30,940,000 and \$22,153,000, respectively, in income taxes.

For the years ended September 30, 1997, 1996, and 1995, consolidated income before income taxes included \$16,029,300, \$4,707,100 and \$380,200, 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 \$7,830,800 at September 30, 1997). Should these earnings be repatriated, approximately \$2,070,700 of income taxes would be payable.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. COMMITMENTS AND CONTINGENCIES

The Company leases certain of its facilities and equipment under operating leases with net aggregate future lease payments of approximately \$113,220,000 at September 30, 1997 payable as follows (in thousands):

Year ending September 30,	
1998.....	\$ 27,002
1999.....	23,189
2000.....	19,858
2001.....	14,598
2002.....	10,332
Thereafter.....	42,631

	137,610
Less -- amounts representing sublease income.....	24,390

	\$113,220
	=====

Rent expense for the years ended September 30, 1997, 1996, and 1995 was approximately \$29,978,000, \$27,190,200 and \$24,601,700, respectively, and was offset by sublease income of approximately \$2,780,000, \$2,313,500 and \$1,326,700, 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, 2002 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. In addition, as a contractor for many agencies of the United States Government, the Company is subject to many levels of audits, investigations and claims by, or on behalf of, the government with respect to its contract performance, pricing, costs, cost allocations and procurement practices. Management believes, after consultation with counsel, that such guarantees, litigation, and United States Government contract-related audits, investigations and claims should not have any material adverse effect on the Company's consolidated financial statements.

Letters of credit outstanding at September 30, 1997 totalled approximately \$62,854,000.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. 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.

9. OTHER FINANCIAL INFORMATION

Accrued liabilities at September 30, 1997 and 1996 consisted of the following (in thousands):

	1997	1996
	-----	-----
Accrued payroll and related liabilities.....	\$ 86,330	\$ 60,772
Insurance liabilities.....	26,903	27,888
Office consolidations and other special charge reserves....	1,287	4,677
Other.....	15,247	16,724
	-----	-----
	\$129,767	\$110,061
	=====	=====

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. QUARTERLY DATA -- UNAUDITED

Summarized quarterly financial information for the years ended September 30, 1997, 1996, and 1995 is presented below (in thousands, except per-share amounts):

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FISCAL YEAR
1997					
Revenues.....	\$433,649	\$437,735	\$430,177	\$479,055	\$1,780,616
Income before taxes.....	17,997	18,907	19,818	20,727	77,449
Net income.....	10,870	11,420	11,970	12,635	46,895
Net income per share.....	.42	.44	.46	.48	1.80
Stock price:					
High.....	25.000	28.500	27.875	32.563	32.563
Low.....	21.250	23.500	23.250	26.250	21.250
1996					
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

The Company's common stock is listed on the New York Stock Exchange. At September 30, 1997, there were 1,592 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, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 1997. 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, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1997, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Los Angeles, California
November 5, 1997

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING

The consolidated financial statements and other information included in this annual report have been prepared by management, which is responsible for their fairness, integrity, and objectivity. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with prior years and contain some amounts that are based upon management's best estimates and judgment. The financial information contained elsewhere in this report has been prepared in a manner consistent with the preparation of the financial statements.

In meeting its responsibility for the fair presentation of the Company's financial statements, management necessarily relies on the Company's system of internal accounting controls. This system is designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed in accordance with management's instructions and are properly recorded in the Company's books and records. The concept of reasonable assurance is based on the recognition that in any system of internal controls, there are certain inherent limitations and that the cost of such systems should not exceed the benefits to be derived. We believe the Company's system of internal accounting controls is cost-effective and provides reasonable assurance that material errors and irregularities will be prevented, or detected and corrected on a timely basis.

The Company's consolidated financial statements have been audited by independent auditors, whose report thereon was based on examinations conducted in accordance with generally accepted auditing standards and is presented on the preceding page. As part of their audit, the independent auditors perform a review of the Company's system of internal accounting controls for the purpose of determining the amount of reliance to place on those controls relative to the audit tests they perform.

The Company's Board of Directors, through its Audit Committee which is composed entirely of nonemployee directors, meets regularly with both management and the independent auditors to review the Company's financial results and to ensure that both management and the independent auditors are properly performing their respective functions.

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	100.00%
Jacobs Engineering Group of Ohio, Inc., an Ohio corporation	100.00%
Jacobs Services Company, a California corporation	100.00%
Jacobs Engineering, Inc., a Delaware corporation	100.00%
Jacobs Computing Services Limited, A Republic of Ireland company	100.00%
Pegasus Engineering Holdings Limited, a Republic of Ireland company	100.00%
Jacobs/Pegasus Engineering Limited, a Republic of Ireland company	100.00%
Jacobs Finance SA, a French company	100.00%
Sereland SA, a Spanish company	86.76%
Serete SNC, a French company	100.00%
Serete Industries SA, a French company	100.00%
Serete Constructions SA, a French company	100.00%
3 S SA, a French company	97.90%
Maintech SA, a French company	100.00%
Serete Gestion SARL, a French company	100.00%
Serete Regions SA, a French company	100.00%
Prosys SA, a French company	100.00%
Serete Italia, an Italian company	100.00%
Jacobs International Limited, Inc., a Panama corporation	100.00%
Jacobs International Limited, a Republic of Ireland company	100.00%
Jacobs Engineering Limited, an English company	100.00%
JE Professional Resources Limited, an English company	100.00%
Jacobs/H&G Engineering Limited, an English company	100.00%
Jacobs/Humphreys & Glasgow Limited, an English company	100.00%
Humphreys & Glasgow Consultants Limited, an Indian company	69.98%
Jacobs Constructors, Inc., a Louisiana corporation	100.00%
Jacobs Constructors of California Inc., a California corporation	100.00%
Jacobs Maintenance, Inc., a Louisiana corporation	100.00%
JE Merit Constructors, Inc., a Texas corporation	100.00%
JE Remediation Technologies, Inc., a Louisiana corporation	100.00%
JE Professional Resources, Inc., a California corporation	100.00%
The Pace Consultants, Inc., a Texas corporation	100.00%
Payne & Keller Company, Inc., a Louisiana corporation	100.00%
Jacobs Applied Technology, Inc., a Delaware corporation	100.00%
Applied Engineering Company - Ohio, Inc., a South Carolina corporation	100.00%
Triad Technologies, Inc., a Delaware corporation	100.00%
KDW Engineering, Inc., a California corporation	100.00%
Willow Street Properties, Inc., a California corporation	100.00%
CRSS Constructors, Inc., a Delaware corporation	100.00%
CRSS International, Inc., a South Carolina corporation	100.00%
CRSS of New York, Inc., a New York corporation	100.00%
Jacobs Engineering Foreign Sales Corporation, a Barbados corporation	100.00%

Jacobs Pan-American Corporation, a U.S. Virgin Islands corporation	100.00%
Jacobs Engineering, S.A. de C.V., a Mexican corporation	100.00%
Jacobs Engineering, SA, a Chile corporation	100.00%

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 November 5, 1997 included in Appendix A to the Company's 1998 Annual Notice and Proxy Statement.

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. 333-01317) pertaining to the Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan of our report dated November 5, 1997 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, 1997.

ERNST & YOUNG LLP

Los Angeles, California

December 22, 1997

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	12 MOS
FISCAL YEAR END	SEP 30 1997
PERIOD END	SEP 30 1997
CASH	55,992
SECURITIES	21,130
RECEIVABLES	382,051
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	503,921
PP&E	184,397
DEPRECIATION	90,996
TOTAL ASSETS	744,203
CURRENT LIABILITIES	325,718
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	25,811
OTHER SE	298,497
TOTAL LIABILITY AND EQUITY	744,203
SALES	0
TOTAL REVENUES	1,780,616
CGS	0
TOTAL COSTS	1,546,898
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	(2,959)
INCOME PRETAX	77,449
INCOME TAX	30,554
INCOME CONTINUING	46,895
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	46,895
EPS PRIMARY	1.80
EPS DILUTED	1.80

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.