

JACOBS ENGINEERING GROUP INC /DE/

FORM 10-K405

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

Filed 12/17/99 for the Period Ending 09/30/99

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

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Sector	Capital Goods
Fiscal Year	09/30

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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, 1999

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 91105
 (Address of principal executive offices) (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 \$686,965,700 as of December 16, 1999, 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 16, 1999, the Registrant had outstanding 26,146,156 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 services firms in the United States providing a broad range of project services; process, scientific and systems consulting services; operations and maintenance services; and construction services to a broad range of industrial, commercial and governmental clients. The Company provides its services through offices and subsidiaries located in the United States, Europe, India, Mexico, Chile and Australia.

The Company focuses its services on selected industry groups and markets including chemicals and polymers; buildings (which includes projects in the fields of health care and education, as well as commercial, civic and governmental buildings); federal programs; pharmaceuticals and biotechnology; petroleum; infrastructure; technology and manufacturing; and pulp and paper, among others.

Over the past several years, the Company has grown its business through both internal initiatives and strategic mergers and acquisitions. These merger and acquisition transactions 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. Some of the more significant transactions that have occurred over the past five years include: the Sverdrup merger; the acquisition of the Serete Group; and the acquisition of CRS Sirrinc and CRSS Constructors.

In January 1999, the Company completed its merger with the Sverdrup Corporation ("Sverdrup"). As a result of this transaction, Sverdrup became a wholly-owned subsidiary of the Company. Sverdrup provides engineering, architecture, construction and scientific services for the development, design, construction and operation of buildings, infrastructure projects and advanced technical systems for public and private sector clients in the United States and internationally. Sverdrup employs more than 5,600 people in offices located throughout the United States, and in selected countries abroad. The Sverdrup transaction expanded the Company's business opportunities in several key markets, added professional staff, as well as presence in new geographies. It also added civil and defense capabilities to the Company's range of professional services. The merger has been accounted for as a purchase, and the results of operations of Sverdrup have been included in the Company's consolidated results of operations since January 1999.

In Fiscal 1997, the Company acquired The Serete Group (headquartered in Paris, France). This acquisition provided the Company with an established presence in France, Spain and Italy. 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. Also in Fiscal 1997, the Company increased its ownership interest (such that the Company became the majority owner) in Humphreys & Glasgow Consultants Limited (headquartered in Mumbai, India). This acquisition gave the Company access to the Southern Asia market, expanded the Company's client base and added professional staff.

In Fiscal 1994, the Company acquired CRS Sirrinc and CRSS Constructors (whose principal offices are located primarily within the United States). 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 at that time), and enhanced the Company's capabilities for its clients in both the buildings and high technology manufacturing 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.

In addition to the particular advantages described above, these acquisitions have 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 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 four broad categories of professional services:

project services (which includes engineering, design, architectural and other related services); process, scientific and systems consulting services; operations and maintenance ("O&M") services; and construction services. The Company will often establish a relationship with a client when 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 four basic service categories for each of the five years ended September 30, 1999 (in thousands of dollars):

	1995	1996	1997	1998	1999
Project Services	\$ 592,846	\$ 655,248	\$ 734,619	\$ 861,608	\$1,318,027
Process, Scientific and Systems Consulting	11,566	12,950	11,587	11,163	87,990
Operations and Maintenance	253,084	245,667	264,622	266,798	474,511
Construction	865,561	885,105	769,788	961,576	994,479
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	\$1,723,057	\$1,798,970	\$1,780,616	\$2,101,145	\$2,875,007
	=====	=====	=====	=====	=====

Project Services

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 and polymers, pharmaceuticals and biotechnology, petroleum, food and consumer products, and the basic resources industries); industrial and commercial buildings (including facilities in the health care, education and criminal justice markets, as well as commercial buildings for clients in the private sector); infrastructure projects (including highways, roads, bridges and other transportation facilities); technology and manufacturing facilities (for clients in the semiconductor, electronics, automotive, aerospace and defense industries); pulp and paper plants; and other facilities. The Company also employs many of the requisite scientific, technical and program management capabilities necessary to provide program integration, testing and evaluation services for clients in the defense and aerospace industries and in support of environmental programs primarily for agencies of the U.S. federal government.

Also included in the category of "Project Services" are construction management services, as well as all of the related support services necessary for the proper and effective delivery of the Company's engineering and other home-office services (among these are cost engineering, planning, scheduling, procurement, estimating, project accounting, and quality and safety). In the area of construction management, the Company can provide a wide range of services as an agent for 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.

Process, Scientific and Systems Consulting

The Company 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 "Process, Scientific and Systems Consulting" are the professional and program management services required to assist clients (typically, the U.S. federal government and its agencies) in a wide range of defense and aerospace related programs. Such services typically are more technical and scientific in nature than are other project services provided by the Company, and may involve such tasks as supporting the development and testing of conventional weapons systems; weapons modeling and simulations; computer systems maintenance and support; evaluations and testing of mission-critical control systems; and other, highly technical programs and tasks.

Operations & Maintenance ("O&M")

O&M activities generally refer to all of the tasks required to operate and maintain large, complex facilities on behalf of clients. In such situations, the Company provides key management and support services over all of the facility's operations, including subcontractors and other on-site personnel. Within the environmental area, O&M activities often include engineering and technical support services, as well as program management services necessary to remediate contaminated sites. Within the aerospace and defense areas, O&M activities often include providing all of the management and technical support services to operate and maintain engine test facilities, weapons integration and high-tech simulation and verification centers. Such O&M contracts frequently require the Company to provide facilities management and maintenance services, utilities operations and maintenance services, property management and disposition and construction support services.

Also included in this category are plant maintenance services. Plant maintenance services generally include all of the tasks required to keep a plant (typically a refinery or chemical 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 O&M 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 O&M contracts are normally cost-reimbursable in nature, they present less financial risk to the Company. Additionally, although engineering and construction projects may be of a short-term nature, O&M 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.

Construction

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

Historically, the Company's field construction activities have been focused primarily on those construction projects for which the Company performed the related engineering and design work. By focusing its construction efforts on such projects, the Company seeks to avoid 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.

Industry Groups and Markets

The Company focuses its efforts on the following industry groups and markets: chemicals and polymers; buildings; U.S. federal programs; pharmaceuticals and biotechnology; petroleum; infrastructure; technology and manufacturing; and pulp and paper. 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, 1999 (in thousands of dollars):

	1995	1996	1997	1998	1999
Chemicals and Polymers	\$ 374,554	\$ 396,515	\$ 490,347	\$ 785,727	\$ 796,501
Buildings	161,836	175,645	169,286	314,293	454,589
Federal Programs	175,200	145,275	201,643	169,474	481,302
Pharmaceuticals and Biotechnology	102,561	147,840	140,545	211,501	373,520
Petroleum	480,472	417,739	248,799	255,579	243,311
Infrastructure	11,099	11,135	11,748	11,278	218,828
Technology and Manufacturing	264,493	268,520	335,627	128,501	173,023
Pulp and Paper	85,652	170,552	154,135	191,595	99,189
Other	67,190	65,749	28,486	33,197	34,744
	-----	-----	-----	-----	-----
	\$1,723,057	\$1,798,970	\$1,780,616	\$2,101,145	\$2,875,007
	=====	=====	=====	=====	=====

Chemicals and Polymers

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 business consulting services for many of the largest chemical manufacturers in the world. The Company has performed feasibility studies, as well as preliminary and detailed design and engineering services, construction, and construction management services for its chemicals industry clients. Typical projects range from various basic, intermediate and polymer 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 polyethylene and liquid polymer production facilities. The Company has extensive knowledge of, and experience with, advanced polymerization reactions and state-of-the-art, post-reactor processing techniques, as well as many other specialty chemicals.

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 chemical producers to provide 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 our chemicals business has been the development of performance-based partnering relationships (alliances) with clients. In an alliance, the Company contracts with the client to perform a broad range of services, as the client requires. Projects can range from providing on-site engineering services, to completion of an entire capital improvement program. Occasionally, a small initial evaluation performed for a client expands to include fully-integrated engineering, procurement, construction and construction management services.

Buildings

Buildings generally refers to the Company's engineering and construction activities relating to commercial buildings and other specialized structures.

The Company provides and/or manages comprehensive architectural, engineering, design, construction, construction management and/or total program management services for a variety of unique and technically complex buildings and complexes. Typical projects include major federal building programs, both K-12 (kindergarten through high school) and higher education facilities, justice, and health and research facilities, as well as corporate buildings, and other municipal, civic and institutional facilities. The Company provides its services on projects that emphasize both new construction as well as those involving renovation and refurbishment of existing facilities. The Company has also been successful in applying its skill base to clients requiring complete program management (referred to as "resourcing"). For such contracts, the Company, often through joint ventures with third parties, assume full responsibility for the ongoing operations and maintenance of entire commercial or industrial complexes on behalf of the client.

Federal Programs

The Company's Federal Programs can generally be categorized as relating to either environmental programs, or defense and aerospace programs.

Environmental

The Company believes it is one of the leading providers of environmental restoration, engineering and consulting services, including hazardous waste management and site cleanup and closure in the United States. 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's projects within this market generally relate to the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA" or "Superfund"), the National Environmental Policy Act ("NEPA") and the Resource Conservation and Recovery Act ("RCRA"). 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").

The Company provides environmental support such as underground storage tank (UST) removal, contaminated soil and water remediation, building demolition and decommissioning, and design, build, installation, operation and maintenance of various types of soil and groundwater cleanup systems at multiple project locations across the United States for the U.S. Army Corps of Engineers and the U.S. Air Force Center for Environmental Excellence. Typical projects also include the preparation of feasibility studies and performance of remedial investigations, engineering, design and remediation services on several national programs. In addition to contracts involving the remediation of contaminated sites, the government has let contracts to private contractors to provide full operations and maintenance services to entire government facilities.

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.

Defense and Aerospace

The Company provides a wide range of professional services for a variety of aerospace facilities and systems, including wind tunnels, turbine and rocket engine test facilities, and launch facilities, as well as computer-based simulation and other systems. The Company also operates and maintains aerodynamic, propulsion, and space facilities and systems for government clients at more than a dozen test centers.

The Company, through its merger with Sverdrup Corporation, has been a provider of technical services to the DOD for many years, and currently supports defense programs in more than a dozen locations, both in the U.S. and internationally. In addition to operating and maintaining several DOD test centers, the Company's support includes services such as aerodynamic testing of next-generation fighter aircraft; propulsion testing for space programs; launch of Titan, Atlas, and Delta rockets and payloads; and support to weapons systems such as air-to-air missile systems and precision guided, smart weapons used for various high-value targets. The Company also supports DOD in a number of information technology programs, including networks, command and control technology, intelligence, and information warfare.

The Company also provides technical assistance and program management support at several NASA facilities. The Company provides O&M services for these facilities, including support of tests of spacecraft and aeronautical systems; aerodynamic test facilities and systems; biological and life sciences experiments; and aircraft for research and development missions. The Company currently supports several NASA programs ranging from Space Shuttle experiments to the International Space Station, and from advanced propulsion/transportation systems to protein crystal growth research needed to develop new drugs and vaccines.

Pharmaceuticals and Biotechnology

The Company furnishes a full line of services to its clients in the pharmaceutical and biotechnology industry. The scope of services the Company provides its clients in these markets includes master planning, programming, feasibility studies, engineering, preliminary and detailed design, procurement, construction, construction management, validation, and maintenance. Accordingly, the Company is fully capable of executing some of the industry's largest capital programs on a single-responsibility basis.

Typical projects for clients in this industry include laboratories, research and development facilities, vivariums, pilot plants, bulk active pharmaceutical ingredient production facilities, full-scale biotechnology production facilities, and secondary manufacturing facilities. Regulatory considerations on these projects include current Good Laboratory Practices ("cGLP") and current Good Manufacturing Practices ("cGMP"). In addition, state-of-the-art technology and know-how are critical to the Company's clients. These include containment, barrier technology, locally controlled environments, process and building systems automation and off-the-site design and fabrication of process and building modules.

As the worldwide market demand for ethical and over-the-counter products continues to escalate, the pressure increases on the pharmaceutical industry to decrease product time to market, decrease costs and increase return on investment. The Company's role is expanded to deliver capital projects sooner and more efficiently. The Company provides local, economical resources in major pharmaceutical and biotechnology areas, and provides single-point EPCMV (engineering, procurement, construction, maintenance and validation) project delivery. The Company continues to enhance its 3-D CADD design capabilities, as well as other technological aspects of its engineering and design services, in order to better serve its clients, and to ensure that projects transition from their conceptual design phase through and including the construction and validation phases as economically and efficiently as possible.

The Company also has established formal alliances with numerous clients in the pharmaceutical and biotechnology industry.

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 process assessments, feasibility studies, technology evaluations and multi-client studies. Although the Company's revenues historically have related primarily to projects associated with petroleum refining and the processes and technologies required for the conversion of crude oil and gas into petroleum fuels, chemical feedstocks and lubricants, more recent contract awards have also included services to pipeline companies and companies in businesses upstream of refiners.

The volume of business activity in this industry group is sometimes influenced by government regulations. For example, as the government issues regulations requiring the reduction of the sulfur content of motor fuels, capital spending by clients for desulfurization projects have increased. There are also significant levels of economically-driven work associated with reconfiguring refineries to handle increasing levels of imported, heavy sour crude feedstocks. The Company is actively involved in both such regulations- and economically-driven projects.

The Company has also utilized its Advanced Construction Technology capabilities (i.e., modular construction) on a number of projects in the petroleum industry. In the U.S. and European refining industries, many projects involve the revamp of an existing processing unit, or the addition of a new process to an existing refinery. As a result of the close proximity of processing units in these refineries, the Company believes the use of off-site construction can decrease congestion at the construction site. The Company also believes that modular construction can offer cost and project execution benefits in remote locations.

Like the chemicals industry, the Company provides a significant amount of maintenance services to its clients in the petroleum industry. Also like the chemicals industry, the Company has established a number of formal alliances with various clients in the petroleum industry. Some of these alliances have been national in scope.

Infrastructure

The Company provides a broad range of planning, design, consulting, engineering, construction and construction management services to its clients engaged in civil construction projects throughout the United States, as well as in selected countries overseas. Typical projects in this area include transportation and water resources type projects. The Company's expertise and skills-base in civil and infrastructure projects was greatly enhanced in 1999 as a result of the Sverdrup merger.

Transportation infrastructure development and rehabilitation have been a mainstay of Sverdrup's infrastructure business for many years. By integrating a broad range of professional disciplines, the Company provides comprehensive planning, engineering, construction and program management services for transportation facilities and systems. Interdisciplinary teams work independently or as an extension of agency staff on highway, bridge, transit, tunnel, airport, railroad, intermodal facility, and lock and dam projects. Representative clients include state departments of transportation and district agencies, the U.S. Army Corps of Engineers, branches of the U.S. military and private industry freight transport firms.

Fueling the growth in this market is the Transportation Equity Act for the 21st Century (TEA-21). Providing \$218 billion over five years - with considerable state and local flexibility in project selection - TEA-21 is a large U.S. federal commitment to improving transportation infrastructure. The Company's concept through completion approach provides complete location selection, condition assessment, environmental analyses, preliminary design, documentation, final design, detailed construction planning, management, public involvement, resident engineering and maintenance engineering management services to agencies seeking to qualify for TEA-21 funding.

As public sector acceptance of design-build delivery grows, the Company has won and successfully completed large-scale projects such as Utah's I-15 corridor reconstruction and CSX Transportation Inc's Midwestern corridor capacity upgrade.

The Company's services in the area of water resources have helped public and private sector clients develop and rehabilitate critical water resource systems. Integrating water, wastewater, air quality, and hazardous waste remediation experience provides these clients with the comprehensive expertise needed to deliver complex projects. The Company provides planning, design, design-build and program and construction management services to a diverse market, including: regional wastewater treatment agencies, manufacturers and power generators, local water suppliers, and military facilities.

Typical public sector projects include managing multi-project water and wastewater capital improvement programs, delivering design-build water/wastewater projects, conducting technology and planning studies, and managing construction of major water/wastewater infrastructure projects. Industrial services include planning, design and construction of air quality, high purity water and industrial wastewater treatment systems.

State and federal government regulations are important influences in the environmental market. New regulations and funding authorizations under the Safe Drinking Water Act are increasing water suppliers' capital spending levels. The Company is developing water/wastewater conveyance systems and water resources management projects as two promising specialty markets.

Private sector projects may be driven by regulatory or economic factors. For example, new air and wastewater treatment regulations are increasing capital project spending in the pharmaceutical and

petroleum industries. The Company may provide planning, design or construction services as part of a larger industrial expansion program, or as a stand-alone project.

The Company believes that opportunities for design-build and construction management projects are expanding as these project delivery methods gain acceptance in the public sector. Recent projects include design-build of three major water treatment plants for the Orlando Utilities Commission and construction management of a large water/wastewater treatment complex for the city of Scottsdale, Arizona.

Technology and Manufacturing

The Company provides a broad range of project services for a variety of technology, manufacturing and test facilities.

Included in this category are projects involving highly complex test facilities for clients in the aerospace and automotive industries. Typical projects range from conceptual design and feasibility studies to complete design/build programs of wind tunnels and engine test facilities; propulsion and certification test facilities; powertrain and other automotive component parts test facilities; environmental and emissions test facilities; climatic test facilities; and computer-based measurement and control systems.

Also included in this category are projects for clients operating in the semiconductor industry. The Company provides engineering, procurement, construction, and construction management services to its clients in this industry. Typical projects in this industry range from on-site plant engineering and tool hook-ups, to 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 very complex; requiring a greater emphasis on cleanroom, and similar high-end technologies.

Pulp and Paper

The Company provides a broad range of engineering and construction services to its clients in the pulp and paper industry. 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. Currently, the Company is performing the single largest engineering, procurement and construction paper machine installation project in the United States for a national newsprint producer.

Pulp and paper projects can and frequently 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.

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. As an example, the Company is currently providing detail design and consulting services to International Paper for its environmentally-driven Cluster Rule related work at three of their mills.

Like certain other markets, the Company has established formal alliances with various clients in the pulp and paper industry. Such alliances have allowed the Company to expand the services it provides its clients, while improving the overall quality and consistency of the engineering and construction services such clients receive.

Other

Included in "Other" are projects that cannot be classified into any of the other industry and market categories. This would include projects for clients in the food and consumer products industries, as well as basic resources (mining, minerals and fertilizers).

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, 1995, 1996, 1997, 1998 and 1999, revenues directly or indirectly from agencies of the U.S. federal government accounted for 11.4%, 8.7%, 12.0%, 12.1% and 17.4%, 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 13.1% of total revenues in 1995. A different 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 1996, 1998 or 1999.

Foreign Operations

For the years ended September 30, 1995, 1996, 1997, 1998 and 1999, revenues from the Company's international operations were approximately 5.4%, 10.3%, 23.5%, 20.2% and 15.8%, respectively, of total revenues. For fiscal years 1995 and 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. Revenues earned in fiscal 1997, 1998 and 1999 from the Company's offices in Mexico and Chile were not material.

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; fixed-price and guaranteed maximum price. The following table sets forth the percentages of total revenues represented by these types of contracts during each of the five fiscal years ended September 30, 1999:

	1995	1996	1997	1998	1999
	-----	-----	-----	-----	-----
Cost-reimbursable	88%	82%	82%	81%	73%
Fixed-price	11	16	16	18	22
Guaranteed maximum price	1	2	2	1	5

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 each of the five fiscal years ended September 30, 1999 (in millions):

1995	1996	1997	1998	1999
----- \$ 1,001.3	----- \$ 1,019.5	----- \$ 919.6	----- \$ 1,066.4	----- \$ 1,167.0

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.

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. Over the past five years, most of the Company's fixed price work have been either negotiated fixed-price contracts, or lump-sum bid contracts for services (rather than turn-key construction).

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.

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 and technical support aspects 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 geographical areas in which the Company operates. 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., Kellogg Brown & Root, and Kvaerner. In the area of buildings, the Company's competitors include several of the competitors previously mentioned, as well as HDR, Inc., Hellmuth,

Obata & Kassabaum, AeCOM Technology and Day & Zimmermann. In the area of civil engineering and construction, the Company's competitors include several of the competitors previously mentioned, as well as Parsons Brinckerhoff and HNTB. In the area of pulp and paper, the Company's principal competitors include BE&K, Kellogg Brown & Root, and Raytheon Engineers. And in the area of U.S. federal programs, the Company's principal competitors include several of the companies listed above, as well as AlliedSignal, BDM, Morrison Knudsen Corporation, and other specialized companies such as IT Group, Inc., ICF Kaiser and Roy F. Weston.

Employees

At September 30, 1999, the Company had approximately 15,900 full-time employees. Additionally, as of September 30, 1999, there were approximately 7,300 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	83	Director and Chairman of the Board	1947
Noel G. Watson	63	President, Chief Executive Officer and Director	1965
Richard E. Beumer	61	Vice Chairman of the Board	1999
William R. Kerler	70	Executive Vice President, Operations and Director	1980
Thomas R. Hammond	48	Executive Vice President, Operations	1975
Richard J. Slater	53	Executive Vice President, Operations	1980
James C. Uselton	60	Executive Vice President., Operations	1999
Donald J. Boutwell	62	Group Vice President, Field Services	1984
Andrew E. Carlson	66	President, Jacobs Sverdrup Constructors, Inc.	1990
Robert M. Clement	51	Group Vice President, Central Region	1990
Warren M. Dean	55	Group Vice President, Facilities	1994
Stephen K. Fritschle	56	Group Vice President, Southern Region	1989
George A. Kunberger, Jr.	47	Group Vice President, Northern Region	1975
Gregory J. Landry	51	Group Vice President, International Operations	1984
John McLachlan	53	Group Vice President, International Operations	1974
H. Gerard Schwartz, Jr.	61	Group Vice President, Civil	1999
Roger L. Williams	61	Group Vice President, Federal Operations	1983
Michael J. Higgins	55	Senior Vice President, Federal Programs	1994
Craig L. Martin	50	Senior Vice President, General Sales and Marketing	1994
John W. Prosser, Jr.	54	Senior Vice President, Finance and Administration and Treasurer	1974
Laurence R. Sadoff	52	Senior Vice President, Quality and Safety	1993
Nazim G. Thawerbhoy	52	Senior Vice President and Controller	1979
William C. Markley, III	53	Vice President, General Counsel and Secretary	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. Beumer, Uselton and Schwartz, 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 1999, Messrs. Beumer, Uselton and Schwartz were part of the senior management group of Sverdrup Corporation, or one of its subsidiaries, for at least five years.

Item 2. PROPERTIES

The Company owns and leases offices for its professional, technical and administrative staff. It also owns property (located in Charleston, South Carolina) which is the principal manufacturing facility for the Company's modular construction activities. The total amount of space used by the Company for all its operations is approximately 2.8 million square feet. The following is a representative list of the Company's principal locations:

Country	State	City
-----	-----	-----
U.S.A.	California	Pasadena Costa Mesa Long Beach Ridgecrest Sacramento Walnut Creek
	Arizona	Phoenix
	Colorado	Denver
	Florida	Lakeland Jacksonville Niceville Tampa
	Louisiana	Baton Rouge
	Massachusetts	Boston
	Michigan	Auburn Hills Novi
	Missouri	Maryland Heights St. Louis
	New Mexico	Albuquerque
	New York	New York
	North Carolina	Raleigh
	Ohio	Cincinnati Beavercreek
	Oregon	Lake Oswego (Portland)
	Pennsylvania	Conshohocken (Philadelphia)
	South Carolina	Greenville Charleston
	Texas	Houston
	Tennessee	Nashville Oak Ridge Tullahoma
	Virginia	Arlington Falls Church
	Washington	Seattle
	Wisconsin	De Pere

[continued]

Item 2. PROPERTIES - Continued

Country	State	City
Australia	-	Canberra
United Kingdom	-	Croydon (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 in certain other countries around the world. 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 project 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.

In March 1998, the U.S. Attorney for the Central District of California announced that it was intervening in a lawsuit filed against the Company by a former employee under the False Claims Act (the "Act"). The lawsuit alleges that the Company overbilled the U.S. government for lease costs paid by the Company and relating to its former headquarters building located in Pasadena, California. The building had once been owned by the Company, but was sold by it in calendar 1982, at which time the Company entered into a 15-year lease of the property. The lawsuit seeks damages of approximately \$17.0 million against the Company, which, if a violation of the Act is found, would be trebled. Additional remedies available to the government include possible administrative or civil liabilities, and, if a violation of the Act is found, the imposition of civil penalties for each billing. Although the number of billings is contested, civil penalties, if imposed, would be at least \$10.0 million.

The Company has denied any wrongdoing in the method it used to account for the lease costs in question and has denied that it acted with the intent required for liability under the Act. The Company contends that all of the facts regarding its 1982 sale and leaseback were disclosed to the government, which repeatedly approved the Company's lease charges after conducting annual audits.

In November 1999, the court made rulings, which the Company is challenging, that limit the Company's defenses in this matter. The rulings also included dismissal of the whistleblower from the case, and the government is proceeding on its own. The final outcome of this matter cannot be determined at the present time. Trial is set for late January 2000. The Company intends to continue to vigorously defend itself against the lawsuit.

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 Appendix A to 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 6. SELECTED FINANCIAL DATA

The information required by this Item is hereby incorporated by reference from Appendix A to 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 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 Appendix A to 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 7A. QUALITATIVE and QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is hereby incorporated by reference from Appendix A to 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 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, 1999 and 1998 and for each of the three years in the period ended September 30, 1999, 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 Agreement and Plan of Merger Among Sverdrup Corporation, Jacobs Engineering Group Inc., and Jacobs Acquisition Corp, dated as of December 21, 1998. Filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated January 14, 1999 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.
- (S) 3.2 Bylaws of the Registrant, as amended.
- 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.
- (S) 10.2 The Jacobs Engineering Group Inc. Incentive Bonus Plan for Officers and Key Managers.
- 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 2, 1999 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 4.1 to the Registrant's Registration Statement on Form S-8 (Registration No. 333-72977) filed with the Commission on February 26, 1999 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.
- 11. Statement of computation of net income per outstanding share of common stock is hereby incorporated by reference from Appendix A to the Registrant's Notice of 2000 Annual Meeting of Shareholders 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 Registrant's Notice of 2000 Annual Meeting of Shareholders and Proxy Statement (which contains the annual financial statements and financial information of Jacobs Engineering Group Inc. for the fiscal year ended September 30, 1999).
- (S) 21. List of Subsidiaries of Jacobs Engineering Group Inc.
- (S) 23. Consent of Independent Auditors.
- (S) 27.1 Financial Data Schedule.

(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. 333-45475 (filed with the Commission on February 3, 1998) and 333-72977 (filed with the Commission on February 26, 1999):

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 2, 1999

By: /s/ 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
/s/ NOEL G. WATSON ----- Noel G. Watson	Director and Principal Executive Officer	December 2, 1999
/s/ JOSEPH J. JACOBS ----- Joseph J. Jacobs	Director	December 2, 1999
/s/ JOSEPH F. ALIBRANDI ----- Joseph F. Alibrandi	Director	December 2, 1999
/s/ RICHARD E. BEUMER ----- Richard E. Beumer	Director	December 2, 1999
/s/ PETER H. DAILEY ----- Peter H. Dailey	Director	December 2, 1999
/s/ ROBERT B. GWYN ----- Robert B. Gwyn	Director	December 2, 1999
/s/ LINDA K. JACOBS ----- Linda K. Jacobs	Director	December 2, 1999
/s/ WILLIAM R. KERLER ----- William R. Kerler	Director	December 2, 1999
/s/ J. CLAYBURN LaForce ----- J. Clayburn LaForce	Director	December 2, 1999
/s/ DALE R. LAURANCE ----- Dale R. Laurance	Director	December 2, 1999
Linda Fayne Levinson	Director	December __, 1999
/s/ DAVID M. PETRONE ----- David M. Petrone	Director	December 2, 1999
/s/ JAMES L. RAINEY, JR. ----- James L. Rainey, Jr.	Director	December 2, 1999

SIGNATURES - Continued

Senior Vice President
Finance and Administration,
and Treasurer (Principal)

/s/ JOHN W. PROSSER, JR.

John W. Prosser, Jr.

Financial Officer)

December 2, 1999

Senior Vice President and Controller (Principal)

/s/ NAZIM G. THAWERBHOY

Nazim G. Thawerbhoy

Accounting Officer)

December 2, 1999

EXHIBIT 3.2

**BYLAWS OF
JACOBS ENGINEERING GROUP INC.
(A DELAWARE CORPORATION)**

(COMPOSITE CONFORMED COPY)

ARTICLE I.

OFFICES

SECTION 1.01 REGISTERED OFFICE. The registered office of Jacobs Engineering Group Inc. (hereinafter called the "Corporation") in the State of Delaware shall be at 1209 Orange Street, Wilmington, and the name of the registered agent at that address shall be The Corporation Trust Company.

SECTION 1.02 PRINCIPAL OFFICE. The principal office for the transaction of the business of the Corporation shall be at 251 South Lake Avenue, Pasadena, California. The Board of Directors (hereinafter called the "Board") is hereby granted full power and authority to change said principal office from one location to another.

SECTION 1.03 OTHER OFFICES. The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board may from time to time determine or as the business of the Corporation may require.

ARTICLE II.

MEETINGS OF STOCKHOLDERS

SECTION 2.01 ANNUAL MEETINGS. Annual meetings of the stockholders of the Corporation for the purpose of electing directors and for the transaction of such other proper business as may come before such meetings shall be held on the second Tuesday in February of each year if not a legal holiday, and if a legal holiday, then on the next business day following, at 3:30 P.M., or at such other time or date as the Board shall determine by resolution.

SECTION 2.02 SPECIAL MEETINGS. Special meetings of the stockholders for any purpose or purposes may be called by the

Board, by a committee of the Board that has been duly designated by the Board and whose powers and authority, as provided in a resolution of the Board or in these Bylaws, include the power to call such meetings or by the Chairman of the Board. Unless otherwise prescribed by statute or by the Certificate of Incorporation, special meetings may not be called by any other person or persons. No business may be transacted at any special meeting of stockholders other than such business as may be designated in the notice calling such meeting.

SECTION 2.03 PLACE OF MEETINGS. All meetings of the stockholders shall be held at such places, within or without the State of Delaware, as may from time to time be designated by the person or persons calling the respective meeting and specified in the respective notices or waivers of notice thereof.

SECTION 2.04 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) nor less than ten (10) days prior to any other action.

If the Board does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders for any other purpose shall be at the day on which the first written consent is expressed.

(iii) The record date for determining stockholders for any other purpose shall be at the close of business on

the day on which the Board adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

SECTION 2.05 NOTICE OF MEETINGS. Except as otherwise required by law, notice of each meeting of the stockholders, whether annual or special, shall be given not less than twenty (20) nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to vote at such meeting by delivering a typewritten or printed notice thereof to him personally, or by depositing such notice in the United States mail, in a postage prepaid envelope, directed to him at his post office address furnished by him to the Secretary of the Corporation for such purpose or, if he shall not have furnished to the Secretary of the Corporation his address for such purpose, then at his post office address last known to the Secretary, or by transmitting a notice thereof to him at such address by telegraph, cable, or wireless. Except as otherwise expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. Every notice of a meeting of the stockholders shall state the place, date and hour of the meeting, and, in the case of a special meeting, shall also state the purpose or purposes for which the meeting is called. Notice of any meeting of stockholders shall not be required to be given to any stockholder who shall have waived such notice and such notice shall be deemed waived by any stockholders who shall attend such meeting in person or by proxy, except as for stockholders who shall attend such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Except as otherwise expressly required by law, notice of any adjourned meeting of the stockholders need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken.

SECTION 2.06 ADVANCE NOTICE OF STOCKHOLDER NOMINEES. Only persons who are nominated in accordance with the procedures set forth in this Section 2.06 shall be eligible for election as Directors. Nominations of persons for election to the Board of the Corporation may be made at a meeting of stockholders by or at the direction of the Board or by any stockholder of the Corporation entitled to vote in the election of Directors at the

meeting who complies with the notice procedures set forth in this Section 2.06. Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposed to nominate for election or re-election a Director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation which are beneficially owned by such person and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such persons' written consent to being named in the proxy statement, if any, as a nominee and to serving as a Director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such stockholder and (ii) the class and number of shares of the Corporation that are beneficially owned by such stockholder. At the request of the Board any person nominated by the Board for election as a Director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2.06. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the bylaws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 2.07 QUORUM. Except in the case of any meeting for the election of directors summarily ordered as provided by law, the holders of record of a majority in voting interest of the

shares of stock of the Corporation entitled to be voted thereat, present in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the stockholders of the Corporation or any adjournment thereof. In the absence of a quorum at any meeting or any adjournment thereof, a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat or, in the absence therefrom of all the stockholders, any officer entitled to preside at, or to act as secretary of, such meeting may adjourn such meeting from time to time. At any such adjourned meeting at which a quorum is present any business may be transacted that might have been transacted at the meeting as originally called.

SECTION 2.08 VOTING.

(a) Each stockholder shall, at each meeting of the stockholders, be entitled to vote in person or by proxy each share or fractional share of the stock of the Corporation that has voting rights on the matter in question and that has been held by him and registered in his name on the books of the Corporation:

(i) on the date fixed pursuant to Section 6.05 of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting, or

(ii) if no such record date shall have been so fixed, then (a) at the close of business on the day next preceding the day on which notice of the meeting shall be given or (b) if notice of the meeting shall be waived, at the close of business on the day next preceding the day on which the meeting shall be held.

(b) Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors in such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes. Persons holding stock of the Corporation in a fiduciary capacity shall be entitled to vote such stock. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the Corporation he shall have expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon. Stock having voting power standing of record in the

names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or with respect to which two or more persons have the same fiduciary relationship, shall be voted in accordance with the provisions of the General Corporation Law of the State of Delaware.

(c) Any such voting rights may be exercised by the stockholder entitled thereto in person or by his proxy appointed by an instrument in writing, subscribed by such stockholder or by his attorney thereunto authorized and delivered to the secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date unless said proxy shall provide for a longer period. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the secretary of the meeting prior to the voting of the proxy. At any meeting of the stockholders all matters, except as otherwise provided by the Certificate of Incorporation, in these Bylaws or by law, shall be decided by the vote of a majority of the shares present in person or by proxy and entitled to vote thereat and thereon, a quorum being present. The vote at any meetings of the stockholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and it shall state the number of shares voted.

SECTION 2.09 LIST OF STOCKHOLDERS. The Secretary of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the duration thereof, and may be inspected by any stockholder who is present. Such list shall presumptively determine the identity of the stockholders entitled to notice of and to vote at the meeting and the number of shares held by each of them.

SECTION 2.10 JUDGES. If at any meeting of the stockholders a vote by written ballot shall be taken on any question, the chairman of such meeting may appoint a judge or judges to act with respect to such vote. Each judge so appointed shall first subscribe an oath faithfully to execute the duties of a judge at such meeting with strict impartiality and according to the best of his ability. Such judges shall decide upon the qualification of the voters and shall report the number of shares represented at the meeting and entitled to vote on such question, shall conduct and accept the votes, and, when the voting is completed, shall ascertain and report the number of shares voted respectively for and against the question. Reports of judges shall be in writing and subscribed and delivered by them to the Secretary of the Corporation. The judges need not be stockholders of the Corporation, and any officer of the Corporation may be a judge on any question other than a vote for or against a proposal in which he shall have a material interest.

SECTION 2.11 ACTION WITHOUT A MEETING NOT PERMITTED. No action shall be taken by the stockholders except at an annual or special meeting of stockholders. The power of the stockholders to consent in writing without a meeting to the taking of any action is specifically denied.

SECTION 2.12 CONDUCT OF MEETINGS OF STOCKHOLDERS. Subject to the following, meetings of stockholders generally shall follow accepted rules of parliamentary procedure.

(a) The chairman of the meeting shall have absolute authority over matters of procedure and there shall be no appeal from the ruling of the chairman. If the chairman, in his absolute discretion, deems it advisable to dispense with the rules of parliamentary procedure as to any one meeting of stockholders or part thereof, the chairman shall so state and shall clearly state the rules under which the meeting or appropriate part thereof shall be conducted.

(b) If disorder should arise that prevents continuation of the legitimate business of the meeting, the chairman may quit the chair and announce the adjournment of the meeting; and, upon his so doing, the meeting shall be immediately adjourned.

(c) The chairman may ask or require that anyone not a bona fide stockholder or proxy leave the meeting.

(d) A resolution or motion shall be considered for vote only if proposed by a stockholder or duly authorized proxy and seconded by an individual who is a stockholder or a duly authorized proxy, other than the individual who proposed the resolution or motion.

ARTICLE III.

BOARD OF DIRECTORS

SECTION 3.01 GENERAL POWERS. The property, business and affairs of the Corporation shall be managed by the Board.

SECTION 3.02 NUMBER AND TERM OF OFFICE. The authorized number of directors shall be thirteen (13) until changed by a duly adopted amendment to this bylaw. Each of the directors of the Corporation shall hold office until his successor shall have been duly elected and shall qualify or until he shall resign or shall have been removed in the manner hereinafter provided.

SECTION 3.03 ELECTION OF DIRECTORS. The directors shall be elected by the stockholders of the Corporation, and at each election the persons receiving the greatest number of votes, up to the number of directors then to be elected, shall be the persons then elected. The election of directors is subject to any provisions contained in the Certificate of Incorporation relating thereto, including any provisions for cumulative voting.

SECTION 3.04 RESIGNATIONS. Any director of the Corporation may resign at any time by giving written notice to the Board or to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time be not specified, it shall take effect immediately upon its receipt; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.05 VACANCIES. Except as otherwise provided in the Certificate of Incorporation, any vacancy in the Board, whether because of death, resignation, disqualification, an increase in the number of directors, or any other cause, may be filled by vote of the majority of the remaining directors, although less than a quorum. Each director so chosen to fill a vacancy shall hold office until his successor shall have been

elected and shall qualify or until he shall resign or shall have been removed in the manner hereinafter provided.

SECTION 3.06 PLACE OF MEETING. The Board may hold any of its meetings at such place or places within or without the State of Delaware as the Board may from time to time by resolution designate or as shall be designated by the person or persons calling the meeting or in the notice or a waiver of notice of any such meeting. Directors may participate in any regular or special meeting of the Board by means of conference telephone or similar communications equipment pursuant to which all persons participating in the meeting of the Board can hear each other, and such participation shall constitute presence in person at such meeting.

SECTION 3.07 FIRST MEETING. The Board shall meet as soon as practicable after each annual election of directors and notice of such first meeting shall not be required.

SECTION 3.08 REGULAR MEETINGS. Regular meetings of the Board may be held at such times as the Board may from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting shall be held at the same hour and place on the next succeeding business day not a legal holiday. Except as provided by law, notice of regular meetings need not be given.

SECTION 3.09 SPECIAL MEETINGS. Special meetings of the Board may be called by the Chairman of the Board of Directors or the President and shall be called by the President or Secretary on the written request of two directors. Notice of all special meetings of the Board shall be given to each director at such director's address as it appears on the records of the Corporation, as follows:

(a) by first-class mail, postage prepaid, deposited in the United States mail in the city where the principal office of the Corporation is located at least five (5) days before the date of such meeting; or

(b) by telegram, charges prepaid, such notice to be delivered to the telegraph company in the city of the principal office of the Corporation at least forty-eight (48) hours before the time of holding such meeting; or

(c) by personal delivery at least twenty four (24) hours prior to the time of holding such meeting.

Such notice may be waived by any director and any meeting shall be a legal meeting without notice having been given if all the directors shall be present thereat or if those not present shall, either before or after the meeting, sign a written waiver of notice of, or a consent to, such meeting or shall after the meeting sign the approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or be made a part of the minutes of the meeting.

SECTION 3.10 QUORUM AND MANNER OF ACTING. Except as otherwise provided in the Certificate of Incorporation or these Bylaws or by law, the presence of a majority of the total number of directors then in office shall be required to constitute a quorum for the transaction of business at any meeting of the Board. Except as otherwise provided in the Certificate of Incorporation or these Bylaws or by law, all matters shall be decided at any such meeting, a quorum being present, by the affirmative votes of a majority of the directors present. In the absence of a quorum, a majority of directors present at any meeting may adjourn the same from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given. The directors shall act only as a Board, and the individual directors shall have no power as such.

SECTION 3.11 ACTION BY CONSENT. Any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the Board or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

SECTION 3.12 MANIFESTATION OF DISSENT. A director of the Corporation who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 3.13 COMPENSATION. The directors shall receive only such compensation for their services as directors as may be allowed by resolution of the Board. The Board may also provide that the Corporation shall reimburse each such director for any expense incurred by him on account of his attendance at any meetings of the Board or Committees of the Board. Neither the payment of such compensation nor the reimbursement of such expenses shall be construed to preclude any director from serving the Corporation or its subsidiaries in any other capacity and receiving compensation therefor.

SECTION 3.14 EXECUTIVE COMMITTEE. There may be an Executive Committee of three or more directors appointed by the Board, who may meet at stated times, or on notice to all members of such Committee by any of their own number, during the intervals between the meetings of the Board; they shall advise and aid the officers of the Corporation in all matters concerning its interests and the management of its business, and generally perform such duties and exercise such powers as may be directed or delegated by the Board from time to time. To the full extent permitted by law, the Board may delegate to such Committee authority to exercise all the powers of the Board while the Board is not in session. Vacancies in the members of the Committee shall be filled by the Board at a regular meeting or at a special meeting for that purpose. The Executive Committee shall keep written minutes of its meeting and report the same to the Board when required. The provisions of Sections 3.08, 3.09 and 3.11 of these Bylaws shall apply, *mutatis mutandis*, to any Executive Committee of the Board.

SECTION 3.15 EMERGENCY MANAGEMENT COMMITTEE. The Board of Directors, by resolution, may provide for an Emergency Management Committee and appoint members or designate the manner in which membership of the Committee shall be determined. The emergency powers granted hereunder shall be operative during any emergency resulting from an attack on the United States or during any nuclear or atomic disaster or during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board of Directors or a standing committee thereof cannot readily be convened for action (an "emergency condition"). Said Committee shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the Corporation. It shall act only during such emergency condition and so long as the number of Directors able to act shall have been reduced to fewer than five, and until a Board of Directors has been elected

by the stockholders. Such Committee shall meet as promptly as possible after the commencement of such an emergency condition as would activate the Committee and at such subsequent time or times as it may designate until a Board of Directors has been duly elected. Such Committee shall as the first order of business elect an Emergency Executive Committee from among its members and a chairman thereof, who shall be the chief executive officer of the Corporation. Such Executive Committee shall function in the same manner and possess the same powers as the Executive Committee of the Board of Directors, as provided in Article III of these Bylaws, and shall have as many members as shall be provided by resolution of the Board. Such Committees shall make their own rules of procedure except to the extent otherwise provided by resolution of the Board. A majority of the members of the Committees able to act shall constitute a quorum. The physical presence of a member shall not be required if his vote on an action to be taken can be obtained by available means of communication. Any vacancy occurring in said Committees caused by resignation, death or other incapacity may be filled by a majority of the remaining members of the Emergency Management Committee and any member so chosen shall serve until a Board of Directors has been duly elected.

SECTION 3.16 OTHER COMMITTEES. The Board may, by resolution passed by a majority of the whole Board, designate one or more other committees, each such committee to consist of one or more of the directors of the Corporation. To the full extent permitted by law, any such committee shall have and may exercise such powers and authority as the Board may designate in such resolution. Vacancies in the membership of a committee shall be filled by the Board at a regular meeting or a special meeting for that purpose. Any such committee shall keep written minutes of its meetings and report the same to the Board when required. The provisions of Sections 3.08, 3.09, 3.10, 3.11 and 3 ' .12 of these Bylaws shall apply, mutatis mutandis, to any such committee of the Board.

ARTICLE IV.

OFFICERS

SECTION 4.01 NUMBER. The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer. The Chief Executive Officer of the Corporation shall be such officer as the Board shall from time to time designate. The Board may also elect one

or more Assistant Secretaries and Assistant Treasurers. A person may hold more than one office providing the duties thereof can be consistently performed by the same person.

SECTION 4.02 OTHER OFFICERS. The Board may appoint such other officers as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

SECTION 4.03 ELECTION. Each of the officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 4.02 or Section 4.05 of this Article, shall be chosen annually by the Board and shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

SECTION 4.04 SALARIES. The salaries of all officers of the Corporation shall be fixed by the Board.

SECTION 4.05 REMOVAL; VACANCIES. Subject to the express provisions of a contract authorized by the Board, any officer may be removed, either with or without cause, at any time by the Board or by any officer upon whom such power of removal may be conferred by the Board. Any vacancy occurring in any office of the Corporation shall be filled by the Board.

SECTION 4.06 THE CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the stockholders and directors and shall have such other powers and duties as may be prescribed by the Board or by applicable law. He shall be an ex-officio member of standing committees, if so provided in the resolutions of the Board appointing the members of such committees.

SECTION 4.07 THE VICE CHAIRMAN OF THE BOARD. In the absence of the Chairman of the Board the Vice Chairman of the Board, if there be such an officer, shall have all the powers and shall exercise all the duties of the Chairman of the Board.

SECTION 4.08 THE PRESIDENT. The President shall be the managing officer of the Corporation. Subject to the control of the Board, the President shall have general supervision, control and management of the affairs and business of the Corporation, and general charge and supervision of all officers, agents and

employees of the Corporation; shall see that all orders and resolutions of the Board are carried into effect; shall, in the absence of the Chairman of the Board and Vice Chairman of the Board, preside at all meetings of the stockholders and the Board; and in general shall exercise all powers and perform all duties incident to the office of President and managing officer of the Corporation and such other powers and duties as may from time to time be assigned to him by the Board or as may be prescribed in these Bylaws.

The President may execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board to some other officer or agent of the Corporation.

The President shall be an ex-officio member of standing committees, if so provided in the resolutions of the Board appointing the members of such committees.

SECTION 4.09 THE VICE PRESIDENTS. In the absence of the President or in the event of his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall perform such other duties and have such other powers as the Board or the President may from time to time prescribe.

SECTION 4.10 THE SECRETARY AND ASSISTANT SECRETARY. The Secretary shall attend all meetings of the Board and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the Board in a book to be kept for that purpose and shall perform like duties for the standing and special committees of the Board when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board, and shall perform such other duties as may be prescribed by the Board or President, under whose supervision he shall act. He shall have custody of the corporate seal of the Corporation and he, or an assistant secretary, shall have authority to affix the same to an instrument requiring it and, when so affixed, it may be attested by his signature or by the signature of such assistant

secretary. The Board may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing of his signature.

The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the Board (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary or in the event of his inability or his refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

SECTION 4.11 THE TREASURER. The Treasurer shall be the chief financial officer of the Corporation and may be referred to by that title shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board.

The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board, making proper vouchers for such disbursements, and shall render to the President and the Board, at its regular meetings, or when the Board so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

If required by the Board, the Treasurer shall give the Corporation a bond in such sum and with such surety as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

SECTION 4.12 THE ASSISTANT TREASURER. The assistant treasurer, or if there be more than one, the assistant treasurers in the order determined by the Board (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and

have such other powers as the Board may from time to time prescribe.

ARTICLE V.

CONTRACTS, CHECKS, DRAFTS, BANK ACCOUNTS, ETC.

SECTION 5.01 CHECKS, DRAFTS, ETC. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness payable by the Corporation shall be signed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board. Each such person or persons shall give such bond, if any, as the Board may require.

SECTION 5.02 DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board may select, or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. For the purpose of deposit and for the purpose of collection for the account of the Corporation, the President, any Vice President or the Treasurer (or any other officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation who shall from time to time be determined by the Board) may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the Corporation.

SECTION 5.03 GENERAL AND SPECIAL BANK ACCOUNTS. The Board may from time to time authorize the opening and keeping of general and special bank accounts with such banks, trust companies or other depositories as the Board may select or as may be selected by any officer or officers, assistant or assistants, agent or agents, or attorney or attorneys of the Corporation to whom such power shall have been delegated by the Board. The Board may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these Bylaws, as it may deem expedient.

ARTICLE VI.

SHARES AND THEIR TRANSFER

SECTION 6.01 CERTIFICATES FOR STOCK. Every owner of stock of the Corporation shall be entitled to have a certificate or certificates, to be in such form as the Board shall prescribe, certifying the number and class of shares of the stock of the Corporation owned by him. The certificates representing shares of such stock shall be numbered in the order in which they shall be issued and shall be signed in the name of the Corporation by the Chairman, Vice Chairman or President or a Vice President, and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer. Any of or all of the signatures on the certificates may be a facsimile. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, any such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the Corporation with the same effect as though the person who signed such certificate, or whose facsimile signature has been placed upon, any such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the Corporation with the same effect as though the person who signed such certificate, or whose facsimile signature shall have been placed thereupon, were such officer, transfer agent or registrar at the date of issue. A record shall be kept of the respective names of the persons, firms or corporations owning the stock represented by such certificates, the number and class of shares represented by such certificates, respectively, and the respective dates thereof, and in case of cancellation, the respective dates of cancellation. Every certificate surrendered to the Corporation for exchange or transfer shall be cancelled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled, except in cases provided for in Section 6.04.

SECTION 6.02 TRANSFERS OF STOCK. Transfers of shares of stock of the Corporation shall be registered on the books of the Corporation or a transfer agent appointed as provided in Section 6.03, only upon surrender of the certificate or certificates for such shares properly endorsed by the registered holder thereof, or by his attorney thereunto authorized by power of attorney

duly executed, and the payment of all taxes thereon. The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purpose as regards the Corporation. Whenever any transfer of shares shall be made for collateral security, and not absolutely, such fact shall be so expressed in the entry of transfer if, when the certificate or certificates shall be presented to the Corporation for registration of transfer, both the transferor and the transferee request the Corporation to do so.

SECTION 6.03 REGULATIONS. The Board may make such rules and regulations as it may deem expedient, not inconsistent with these Bylaws, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer clerks or one or more transfer agents and one or more registrars, and may require all certificates for stock to bear the signature or signatures of any of them.

SECTION 6.04 LOST, STOLEN, DESTROYED, AND MUTILATED CERTIFICATES. In any case of loss, theft, destruction or mutilation of any certificate of stock, another may be issued in its place upon proof of such loss, theft, destruction or mutilation and upon the giving of a bond of indemnity to the Corporation in such form and in such sums as the Board may direct; provided, however, that a new certificate may be issued without requiring any bond when, in the judgment of the Board, it is proper so to do.

SECTION 6.05 FIXING DATE FOR DETERMINATION OF STOCKHOLDERS OF RECORD. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any other change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which shall not be more than sixty (60) nor less than twenty (20) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If in any case involving the determination of stockholders for any purpose other than notice of or voting at a meeting of stockholders the Board shall not fix such a record date, the record date for determining stockholders for such purpose shall be the close of business on the day on which the Board shall adopt the resolution relating thereto. A determination of stockholders

entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

ARTICLE VII.

INDEMNIFICATION

SECTION 7.01 ACTIONS OTHER THAN BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or as a member of any committee or similar body, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful.

SECTION 7.02 ACTIONS BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other

enterprise, or as a member of any committee or similar body, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

SECTION 7.03 DETERMINATION OF RIGHT OF INDEMNIFICATION. Any indemnification under Section 7.01 or 7.02 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 7.01 and 7.02. Such determination shall be made (i) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders.

SECTION 7.04 INDEMNIFICATION AGAINST EXPENSES OF SUCCESSFUL PARTY. Notwithstanding the other provisions of this Article, to the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 7.01 or 7.02, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

SECTION 7.05 ADVANCE OF EXPENSES. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board upon receipt of an undertaking by or on behalf of the director or officer, to repay such amount if it shall ultimately be

determined that he is not entitled to be indemnified by the Corporation as authorized in this Article. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board deems appropriate.

SECTION 7.06 OTHER RIGHTS AND REMEDIES . The benefits provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 7.07 INSURANCE. Upon resolution passed by the Board, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him or hold him harmless against such liability under the provisions of this Article.

SECTION 7.08 CONSTITUENT CORPORATIONS. For the purposes of this Article, references to "the Corporation" include all constituent corporations absorbed in a consolidation or merger as well as the resulting or surviving corporation, and shall also include without limitation Jacobs Engineering Group Inc., a California corporation, so that any person who is or was a director, officer, employee or agent of such a constituent corporation or is or was serving request of such constituent corporation as a director, officer, employee agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity.

SECTION 7.09 EMPLOYEE BENEFIT PLANS. For purposes of this Article, references to "other enterprises" shall include employee benefit plans, and references to "serving at the

request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation that imposes a duty on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries.

SECTION 7.10 BROADEST LAWFUL INDEMNIFICATION. In addition to the foregoing, the Corporation shall, to the broadest and maximum extent permitted by Delaware law, as the same exists from time to time (but, in case of any amendment to or change in Delaware law, only to the extent that such amendment or change permits the Corporation to provide at the or broader rights of indemnification than is permitted to the Corporation prior to such amendment or change), indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding than is permitted to the Corporation prior to such amendment or change), pay to such person any and all expenses (including attorneys' fees) incurred in defending or settling any such action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer, to repay such amount if it shall ultimately be determined by a final judgment or other final adjudication that he is not entitled to be indemnified by the Corporation as authorized in this Section 7.10. The first sentence of this Section 7.10 to the contrary notwithstanding, the Corporation shall not indemnify any such person with respect to any of the following matters: (i) remuneration paid to such person if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law; or (ii) any accounting of profits made from the purchase or sale by such person of the Corporation's securities within the meaning of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law; or (iii) actions brought about or contributed to by the dishonesty of such person, if a final judgment or other final adjudication adverse to such person establishes that acts of active and deliberate dishonesty were

committed or attempted by such person with actual dishonest purpose and intent and were material to the adjudication; or (iv) actions based on or attributable to such person having gained any personal profit or advantage to which he was not entitled, in the event that a final judgment or other final adjudication adverse to such person establishes that such person in fact gained such personal profit or other advantage to which he was not entitled; or (v) any matter in respect of which a final decision by a court with competent jurisdiction shall determine that indemnification is unlawful; provided, however, that the Corporation shall perform its obligations under the second sentence of this Section 7.10 on behalf of such person until such time as it shall be ultimately determined by a final judgment or other final adjudication that he is not entitled to be indemnified by the Corporation as authorized by the first sentence of this Section 7.10 by virtue of any of the preceding clauses (i), (ii), (iii), (iv) or (v).

SECTION 7.11 INDEMNITY FUND. Upon resolution passed by the Board, the Corporation may establish a trust or other designated account, grant a security interest or use other means (including, without limitation, a letter of credit), to ensure the payment of any or all of its obligations arising under this Article VII and/or any agreements that may be entered into between the Corporation and its officers and directors from time to time.

SECTION 7.12 SEVERABILITY. If any part of this Article VII shall be found, in any action, suit or proceeding or appeal therefrom or in any other circumstances or as to any particular officer, director, employee or agent to be unenforceable, ineffective or invalid for any reason, the enforceability, effect and validity of the remaining parts or of such parts in other circumstances shall not be affected, except as otherwise required by applicable law.

SECTION 7.13 AMENDMENTS. The foregoing provisions of this Article VII shall be deemed to constitute an agreement between the Corporation and each of the persons entitled to indemnification hereunder, for as long as such provisions remain in effect. Any amendment to the foregoing provisions of this Article VII which limits or otherwise adversely affects the scope of indemnification or rights of any such persons hereunder shall, as to such persons, apply only to claims arising, or causes of action based on actions or events occurring, after such amendment and delivery of notice of such amendment is given

to the person or persons so affected. Until notice of such amendment is given to the person or persons whose rights hereunder are adversely affected, such amendment shall have no effect on such rights of such persons hereunder. Any person entitled to indemnification under the foregoing provisions of this Article VII shall as to any act or omission occurring prior to the date of receipt of such notice, be entitled to indemnification to the same extent as had such provisions continued as Bylaws of the Corporation without such amendment.

ARTICLE VIII.

MISCELLANEOUS

SECTION 8.01 SEAL. The Board shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation and words and figures showing that the Corporation was incorporated in the State of Delaware and the year of incorporation.

SECTION 8.02 WAIVER OF NOTICES. Whenever notice is required to be given by these Bylaws or the Certificate of Incorporation or by law, the person entitled to said notice may waive such notice in writing, either before or after the time stated therein, and such waiver shall be deemed equivalent to notice.

SECTION 8.03 FISCAL YEAR. The fiscal year of the Corporation shall begin the first day of October in each year.

SECTION 8.04 AMENDMENTS. Subject to the provisions of the Certificate of Incorporation, these Bylaws and applicable law, these Bylaws or any of them may be amended or repealed and new Bylaws may be adopted (a) by the Board, by vote of a majority of the number of directors then in office or (b) by the vote of the holders of not less than seventy-five (75%) percent of the total voting power of all outstanding shares of voting stock of the Corporation in an annual meeting of stockholders, without previous notice, or at any special meeting of stockholders, provided that notice of such proposed amendment, repeal or adoption is given in the notice of special meeting. Subject to the provisions of the Certificate of Incorporation, any Bylaws adopted or amended by the stockholders may be amended or repealed by the Board or the stockholders.

SECTION 8.05 VOTING STOCK. Unless otherwise ordered by the Board, the Chairman of the Board, the President and each Vice President shall have full power and authority on behalf of the Corporation to attend and to act and vote at any meeting of the stockholders of any corporation in which the Corporation may hold stock and at any such meeting shall possess and may exercise any and all rights and powers that are incident to the ownership of such stock and which as the owner thereof the Corporation may have possessed and exercised if present. The Board by resolution from time to time may confer like powers upon any other person or persons.

EXHIBIT 10.2

JACOBS ENGINEERING GROUP INC.

INCENTIVE BONUS PLAN

FOR OFFICERS AND KEY MANAGERS

Summary of the Program

This program is designed to cover all officers and key managers of Jacobs Engineering Group Inc. Key managers are normally defined as management level personnel who do not normally receive overtime compensation and who have been approved for participation by the President and the Chairman.

Each year a bonus pool will be determined by formula. The Compensation Committee of the Board may designate up to 5% of the pool to be set aside to fund charitable and/or civic activities. Contributions to such charities and/or civic activities from this fund shall be determined by a committee consisting of the Chairman of the Board, President and Chief Financial Officer and shall be in the interests of Jacobs Engineering Group Inc. and its officers and employees. From the pool 80 percent, less the amount designated above for charitable and/or civic activities, will be allocated to participants in the Incentive Bonus Plan, and 20 percent will be reserved for distribution to nonparticipating employees who have made an outstanding contribution during the year. The allocation of the participant's portion of the pool will be 50 percent by formula and 50 percent at the discretion of the President and the Chairman. The allocation of the nonparticipant's portion of the pool is totally at the discretion of the President and Chairman of the Board.

Bonuses will be paid in three annual installments unless the company and the participant involved mutually agree to a different arrangement. The first installment will be paid approximately three months after the close of the first fiscal year to which it pertains. A participant is not vested in any future installments. A participant must be employed by the company at the date each future installment is paid since it is contemplated that the bonus is not only for service done in a particular year but also for services to be rendered in the years when future installments are to be paid. In other words, the bonus reflects a recognition of services rendered and to be rendered. If an employee is a participant in the plan for less than a full year, the measure of his bonus will be chronologically prorated. If a participant's employment is severed from the company prior to the time a future installment is to be paid, such installment and any subsequent installments are forfeited. For the purposes of this program, a participant will be considered employed by the company for purposes of receiving future installments only if on such date the participant is an active full time employee.

Bonus Pool Formula

The bonus pool would be established as a percentage of pretax earnings above a preset trigger point. The trigger point for each fiscal year will be established by the Board of Directors. The trigger point for 1999 has been set at 10 percent of the consolidated net worth at the middle of the fiscal year. Once the trigger point is reached, the bonus pool would accrue at 20 percent of pretax income in excess of the trigger point. When pretax earnings reach two times the trigger point, the accrual would increase to 25 percent of pretax income in excess of two times the trigger point. The percentage rate used for calculating the trigger point will be established each year based on economic and market conditions in effect at that time.

Allocation of Bonus Pool

Twenty percent of the bonus pool will be reserved for nonparticipants in the plan. The balance of the pool will be allocated to the plan participants, 50 percent based on their weighted salary (see table below) versus the total weighted salaries of all participants of the plan and 50 percent at the discretion of the President and Chairman. The weighted salaries will be determined by multiplying the salary earned while a participant in the plan times the following weighting factors:

Level	Weighting Factor
Executive Officers	4
Group and Senior Officers	3
Corporate Level Officers	2
Other Officers and Managers	1

If a participant moves from one level to another during the year, the different weighting factors would be applied to the salary earned at each level.

Modifications

This plan is provided at the discretion of the Board of Directors and the Board of Directors reserves the right to alter or modify it in the future.

EXHIBIT 10.4

AGREEMENT

This agreement is made as of the 2nd day of December, 1999, 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, 2003 to September 30, 2004. 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

*1111 S. Arroyo Parkway
Pasadena, California 91105*

JACOBS ENGINEERING GROUP INC.
("Company")

By /s/ Noel G. Watson

*Noel G. Watson,
President*

By /s/ John W. Prosser, Jr.

*John W. Prosser, Jr.,
Senior Vice President*

Finance and Administration

EXHIBIT 13

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REPORT OF INDEPENDENT AUDITORS

September 30, 1999

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
SELECTED HIGHLIGHTS

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

	1999	1998	1997
Revenues.....	\$2,875,007	\$2,101,145	\$1,780,616
Net earnings.....	65,445	54,385	46,895
Per share information:			
Basic EPS.....	\$ 2.54	\$ 2.12	\$ 1.82
Diluted EPS.....	2.47	2.08	1.80
Net book value.....	16.95	14.23	12.48
Closing year-end stock price.....	32.50	31.00	30.625
Total assets.....	\$1,220,186	\$ 807,489	\$ 737,643
Stockholders' equity.....	448,717	371,405	324,308
Return on average equity.....	15.96%	15.63%	15.43%
Stockholders of record.....	1,208	1,352	1,592
Backlog:			
Professional services.....	\$1,760,000	\$1,004,500	\$ 912,057
Total.....	4,448,200	3,329,500	3,050,000
Permanent staff.....	15,900	10,080	9,570

As disclosed last year, the Company adopted Statement of Financial Accounting Standards No. 128 -- Earnings per Share ("SFAS 128") effective with the first quarter of fiscal 1998 ending December 31, 1997. Earnings per share ("EPS") for prior periods have been restated to conform to the provisions of SFAS 128.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA

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

	1999	1998	1997	1996	1995
Results of Operations:					
Revenues.....	\$2,875,007	\$2,101,145	\$1,780,616	\$1,798,970	\$1,723,057
Net earnings.....	65,445	54,385	46,895	40,360	32,242
Financial Position:					
Current ratio.....	1.25 to 1	1.54 to 1	1.56 to 1	1.68 to 1	1.44 to 1
Working capital.....	\$ 144,638	\$ 197,659	\$ 178,203	\$ 155,569	\$ 113,339
Current assets.....	729,620	566,007	497,361	383,644	368,614
Total assets.....	1,220,186	807,489	737,643	572,505	533,947
Long-term debt.....	135,371	26,221	54,095	36,300	17,799
Stockholders' equity...	448,717	371,405	324,308	283,387	238,761
Return on average equity.....	15.96%	15.63%	15.43%	15.46%	14.68%
Backlog:					
Professional services.	\$1,760,000	\$1,004,500	\$ 912,057	\$ 845,300	\$ 828,400
Total.....	4,448,200	3,329,500	3,050,000	2,750,200	2,625,000
Per share Information:					
Basic EPS.....	\$ 2.54	\$ 2.12	\$ 1.82	\$ 1.58	\$ 1.28
Diluted EPS.....	2.47	2.08	1.80	1.56	1.27
Stockholders' equity...	16.95	14.23	12.48	10.93	9.41
Average Number of Common and Common Stock Equivalents Outstanding (Diluted).....					
	26,478	26,096	25,989	25,921	25,384

As disclosed last year, the Company adopted Statement of Financial Accounting Standards No. 128 -- Earnings per Share ("SFAS 128") effective with the first quarter of fiscal 1998 ending December 31, 1997. Earnings per share ("EPS") for prior periods have been restated to conform to the provisions of SFAS 128.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA

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

	1994	1993	1992	1991	1990
Results of Operations:					
Revenues.....	\$1,165,754	\$1,142,926	\$1,106,427	\$1,036,289	\$ 881,757
Net earnings.....	18,767	28,670	26,605	20,385	14,390
Financial Position:					
Current ratio.....	1.41 to 1	1.61 to 1	1.56 to 1	1.41 to 1	1.24 to 1
Working capital.....	\$ 106,058	\$ 100,688	\$ 92,706	\$ 60,580	\$ 39,544
Current assets.....	367,485	264,949	258,206	206,576	202,404
Total assets.....	504,364	351,020	316,731	260,142	253,707
Long-term debt.....	25,000	--	--	--	--
Stockholders' equity...	200,433	173,797	139,813	106,936	82,964
Return on average equity.....	10.03%	18.28%	21.56%	21.47%	20.30%
Backlog:					
Professional services.	\$ 793,060	\$ 736,600	\$ 647,100	\$ 457,300	\$ 329,400
Total.....	2,500,000	1,858,600	1,760,000	1,605,000	1,343,300
Per share Information:					
Basic EPS.....	\$ 0.75	\$ 1.17	\$ 1.14	\$ 0.89	\$ 0.66
Diluted EPS.....	0.75	1.15	1.11	0.86	0.64
Stockholders' equity...	7.96	6.96	5.81	4.50	3.70
Average Number of Common and Common Stock Equivalents Outstanding (Diluted).....					
	25,173	24,964	24,070	23,763	22,439

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

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

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Results of Operations

The following table sets forth the Company's revenues by industry group and by market serviced for the past three fiscal years ended September 30 (in thousands):

	1999	1998	1997
Chemicals and Polymers.....	\$ 796,501	\$ 785,727	\$ 490,347
Buildings.....	454,589	314,293	169,286
Federal Programs.....	481,302	169,474	201,643
Pharmaceuticals and Biotechnology.....	373,520	211,501	140,545
Petroleum.....	243,311	255,579	248,799
Infrastructure.....	218,828	11,278	11,748
Technology and Manufacturing.....	173,023	128,501	335,627
Pulp and Paper.....	99,189	191,595	154,135
Other.....	34,744	33,197	28,486
	-----	-----	-----
	\$2,875,007	\$2,101,145	\$1,780,616
	=====	=====	=====

"Other" includes projects for clients operating in a number of industries, including food and beverage, and basic resources (mining, minerals and fertilizers).

The following table sets forth the Company's revenues by type of service provided, for the past three fiscal years ended September 30 (in thousands):

	1999	1998	1997
Project Services.....	\$1,318,027	\$ 861,608	\$ 734,619
Construction.....	994,479	961,576	769,788
Operations and Maintenance.....	474,511	266,798	264,622
Process, Scientific and Systems Consulting.	87,990	11,163	11,587
	-----	-----	-----
	\$2,875,007	\$2,101,145	\$1,780,616
	=====	=====	=====

1999 Compared to 1998

On January 14, 1999, the Company completed its merger with Sverdrup Corporation ("Sverdrup"). Sverdrup provides engineering, architecture, construction and scientific services for public and private sector clients in the United States and internationally.

The Sverdrup transaction has been accounted for as a purchase. Accordingly, the purchase price has been allocated to the assets and liabilities acquired based on their estimated fair values. The purchase price allocation, which may be adjusted further, resulted in goodwill of approximately \$176.3 million. The Company's consolidated results of operations include the results of Sverdrup's operations since January 1, 1999.

The Company recorded net earnings of \$65.4 million, or \$2.47 per diluted share, for the fiscal year ended September 30, 1999, compared to net earnings of \$54.4 million, or \$2.08 per diluted share, for fiscal 1998.

Total revenues for fiscal 1999 increased by \$773.9 million, or 36.8%, to \$2,875.0 million, compared to \$2,101.1 million for fiscal 1998. Approximately 89% of the increase in total revenues was generated by Sverdrup's operations, with the balance attributable to the Company's continuing U.S. and European operations (that is, those offices operating during the comparable periods of both fiscal 1999 and fiscal 1998).

Revenues from project services activities, which includes design, engineering and agency construction management services, increased by \$456.4 million, or 53.0%, to \$1,318.0 million during fiscal 1999, compared to \$861.6 million for fiscal 1998. Approximately 40.4% of the increase in project services revenues during the current fiscal year was generated by the Company's continuing U.S. and European operations, with the balance attributable to Sverdrup's operations.

Revenues from construction services increased by \$32.9 million, or 3.4%, to \$994.5 million during fiscal 1999, compared to \$961.6 million for fiscal 1998.

With the resources and complementary technical and professional skills that the merger with Sverdrup added to the Company's skills base, and with the new clients Sverdrup added to the Company's client base, the Company has expanded its capabilities in the areas of operations and maintenance ("O&M"), and process, scientific and systems consulting services. Revenues from O&M activities increased by \$207.7 million, or 77.9%, to \$474.5 million during fiscal 1999, compared to \$266.8 million for fiscal 1998. Approximately 71.2% of the increase in O&M revenues during the current fiscal year was generated by Sverdrup's operations, with the balance attributable to the Company's continuing U.S. and European operations. During fiscal 1999, the Company realized revenues of \$88.0 million from process, scientific and systems consulting services. Prior to fiscal 1999 and the merger with Sverdrup, the Company's revenues from process, scientific and systems consulting service activities were minimal.

As a percentage of revenues, direct costs of contracts decreased to 86.2% for the twelve months ended September 30, 1999, compared to 87.1% for the same period last year. The percentage relationship between direct costs of contracts and revenues will fluctuate between reporting periods depending on a variety of factors including the mix of business during the reporting periods being compared, as well as the level of margins earned from the various services provided by the Company. The improvement in this percentage relationship during fiscal 1999 compared to fiscal 1998 was due primarily to the relatively higher margins on Sverdrup's project services. Also contributing to the improvement was the favorable effect of the proportionately higher margins earned on the higher volume of project service activities generated, relative to construction service activities.

Selling, general and administrative ("SG & A") expenses for fiscal 1999 increased by \$105.0 million, or 57.0%, to \$289.0 million, compared to \$184.0 million for fiscal 1998. The increase in SG & A expenses during the twelve months ended September 30, 1999 was due almost entirely to the operations of Sverdrup.

During fiscal 1999, the Company's operating profit (defined as revenues, less direct costs of contracts and SG & A expenses) increased by \$21.8 million, or 25.2%, to \$108.3 million, compared to \$86.5 million for fiscal 1998. The increase in the Company's operating profit from 1998 to 1999 was due primarily to the increase in business volume, combined with an increase in margin rates, as discussed above.

The Company recorded \$5.7 million of net interest expense during the twelve months ended September 30, 1999, compared to net interest income of \$2.7 million last year. During fiscal 1998, the Company was a net investor of excess cash. During fiscal 1999, however, as a result of the merger with Sverdrup Corporation, the Company became a net borrower of cash. The Company financed the merger price of \$201.1 million (which included the associated costs of the merger) with a new, \$230.0 million revolving credit facility, under which the Company initially borrowed \$165.0 million. Outstanding borrowings under this facility was reduced to \$118.1 million at September 30, 1999. Also contributing to the increase in interest expense in fiscal 1999 as compared to fiscal 1998 was \$19.9 million of Sverdrup pre-merger indebtedness that was assumed by the Company at closing of the merger transaction.

The Company recorded \$2.0 million of net miscellaneous income during fiscal 1999, compared to net miscellaneous expense of \$0.4 million for fiscal 1998. The increase in net miscellaneous income during fiscal 1999 was due primarily to gains realized on the sales of marketable equity securities.

The Company recorded income tax expense of \$39.1 million and \$34.4 million in fiscal 1999 and 1998, respectively. The Company's overall effective tax rate was 37.4% for fiscal 1999, compared to an effective tax rate of 38.7% for fiscal 1998. The reduction in the Company's effective tax rate was attributable primarily to a lower effective tax rate relating to the Company's non-U.S. operations, off-set in part by the effect of nondeductible goodwill.

1998 Compared to 1997

The Company recorded net earnings of \$54.4 million, or \$2.08 per diluted share, for the fiscal year ended September 30, 1998, compared to net earnings of \$46.9 million, or \$1.80 per diluted share, for the same period in fiscal 1997.

Total revenues for fiscal 1998 increased by \$320.5 million, or 18.0%, to \$2,101.1 million, compared to \$1,780.6 million for the same period in fiscal 1997. More than half of this increase was attributable to the Company's continuing U.S. and European operations. The balance of the increase was attributable to the effect of companies acquired in 1997, and in particular, to the Serete Group.

Revenues from project services activities increased by \$127.0 million, or 17.3%, to \$861.6 million during fiscal 1998, compared to \$734.6 million for fiscal 1997. Project services revenues in 1998 from the Company's continuing U.S. and European operations were approximately 8% higher than the 1997 amount, with the balance of the increase attributable to businesses the Company acquired in 1997.

During fiscal 1998, revenues from construction services increased by \$191.8 million, or 24.9%, to \$961.6 million, compared to \$769.8 million for fiscal 1997. This increase occurred in spite of the completion of construction on a large semiconductor project late in fiscal 1997. Also contributing to the overall increase in construction services revenues from fiscal 1997 to fiscal 1998 was a \$96.2 million increase in subcontract and procurement activity (the costs of which are included in both revenues and costs).

During fiscal 1998, revenues from O&M and process, scientific and systems consulting services of \$266.8 million and \$11.2 million, respectively, were relatively unchanged compared to fiscal 1997 revenues.

As a percentage of revenues, direct costs of contracts increased to 87.1% for the twelve months ended September 30, 1998, compared to 86.9% for the same period in fiscal 1997. The increase in the direct costs of the Company's services as a percentage of revenues during fiscal 1998 as compared to fiscal 1997 was due primarily to a proportionally higher percentage of the Company's total business volume coming from construction services relative to project services. This was partially offset by an increase in the total profit margin on the Company's construction service activities.

Selling, general and administrative expenses for fiscal 1998 increased by \$23.9 million, or 14.9%, to \$184.0 million, compared to \$160.2 million for fiscal 1997. The increase in fiscal 1998 reflects the full year operating impact of businesses acquired in fiscal 1997. The SG & A expenses incurred by the Company's continuing U.S. and European operations during fiscal 1998 were approximately \$1.2 million lower than the corresponding 1997 amount.

During fiscal 1998, the Company's operating profit increased by \$12.9 million, or 17.6%, to \$86.5 million, compared to \$73.6 million for fiscal 1997. The improvement in operating profit was due to the overall increase in business volume in fiscal 1998 compared to fiscal 1997, combined with better control of SG & A expenses throughout much of the Company's continuing U.S. and European operations.

Net interest income decreased by 7.5%, or \$0.2 million, to \$2.7 million during the twelve months ended September 30, 1998, compared to \$3.0 million in fiscal 1997. The decrease in net interest

income was due primarily to a reduction of rates earned on slightly higher levels of average cash invested during fiscal 1998 as compared to fiscal 1997, combined with a small increase in consolidated interest expense.

The Company recorded \$0.4 million of net miscellaneous expense during fiscal 1998, compared to net miscellaneous income of \$0.9 million for fiscal 1997. Included in the 1998 amount was the approximate \$8.8 million gain realized by the Company on the sale of its office building located in Dublin, Ireland (the "Merrion House"). Merrion House was purchased in 1995, and the Company continues to occupy a minor portion of the property under a lease agreement. Offsetting the Merrion House gain were reserves recorded in the fourth quarter of 1998 for certain settled and pending litigation.

Backlog

Backlog represents the total dollar amount of revenues the Company expects to record in the future as a result of performing work under contracts that have been awarded to it. The Company's policy with respect to operations and maintenance ("O&M") contracts, however, is to include in backlog the amount of revenues it expects to receive for one succeeding year, regardless of the life of the contract. For federal programs (other than federal O&M contracts), the Company's policy is to include in backlog the full contract award, whether funded or unfunded, and exclude option periods.

In accordance with industry practice, substantially all of the Company's contracts are subject to cancellation or termination at the option of the client. However, the Company has not experienced cancellations which have had a material effect on the reported backlog amounts. In a 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. While management uses all information available to it to determine backlog, 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.

The following table summarizes the Company's total backlog at September 30, 1999, 1998 and 1997 (in millions):

	1999	1998	1997
Professional services.....	\$1,760.0	\$1,004.5	\$ 912.1
Total.....	4,448.2	3,329.5	3,050.0
	=====	=====	=====

Total backlog at September 30, 1999 included approximately \$1.5 billion, or 34% of total backlog, relating to work to be performed either directly or indirectly for the U.S. federal government and its agencies. This compares to approximately \$800.0 million and \$923.0 million of federal backlog at September 30, 1998 and 1997, respectively. Most of these federal 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).

The Company's backlog for fiscal 1999 increased by \$1.1 billion, or 33.6%, to \$4.4 billion, compared to fiscal 1998, and increased in fiscal 1998 by \$279.5 million, or 9.2%, to \$3.3 billion, compared to fiscal 1997. Most of the 1999 increase was attributable to the Sverdrup merger, combined with new awards in the pharmaceuticals area of the Company's business. The 1998 increase was due to new awards in the chemicals, refining and pharmaceuticals areas of the Company's business.

The Company estimates that approximately \$2.3 billion, or 52% of total backlog at September 30, 1999 will be realized as revenues within the next fiscal year.

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 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

During fiscal year 1999, the Company's cash and cash equivalents decreased by \$47.8 million, to \$53.5 million. This compares to a net increase of \$45.3 million, to \$101.3 million, during fiscal 1998, and to a net decrease of \$6.9 million, to \$56.0 million during fiscal 1997. During fiscal year 1999, the Company experienced net cash outflows from investing activities and the effect on cash of exchange rate changes, of \$220.6 million and \$3.3 million, respectively, offset in part by net cash inflows from financing activities and operating activities of \$94.3 million and \$81.8 million, respectively.

Operations contributed \$81.8 million of cash and cash equivalents during fiscal 1999. This compares to a net contribution of \$90.5 million and \$43.9 million during fiscal 1998 and fiscal 1997, respectively. The \$8.7 million decrease in cash provided by operations in fiscal 1999 as compared to fiscal 1998 was due primarily to an increase of \$30.9 million in net cash outflows relating to the timing of cash receipts and payments within the Company's working capital accounts. This use of cash was offset in part by an increase in net earnings of \$11.1 million, and an increase of \$8.4 million in depreciation and amortization expense. Gains on sales of assets and the change in deferred income taxes had a \$2.5 million improvement in cash flows from operating activities in 1999 as compared to 1998.

The Company's investing activities resulted in a net cash outflow of \$220.6 million during fiscal 1999. This compares to net cash outflows of \$9.6 million and \$69.5 million during fiscal 1998 and 1997, respectively. The \$211.0 million net increase in cash used in investing activities in fiscal 1999 as compared to fiscal 1998 was due primarily to the merger with Sverdrup, requiring \$201.1 million in cash (which included the associated costs of the merger), combined with a \$13.5 million net increase in other noncurrent assets. Partially offsetting these cash outflows was a \$12.5 million increase from fiscal 1998 to fiscal 1999 in proceeds from sales of marketable securities and investments. The proceeds from the sales of marketable securities and investments in fiscal 1999 were used to partially fund the merger with Sverdrup and pay down indebtedness relating to the merger.

The Company's financing activities generated \$94.3 million in cash and cash equivalents during fiscal 1999 compared to a net cash outflow of \$35.4 million during fiscal 1998, and a net cash inflow of \$20.3 million in fiscal 1997. In connection with the merger with Sverdrup in January 1999, the Company terminated an existing long-term \$45.0 million revolving credit agreement and entered into a new, \$230.0 million revolving credit agreement. The Company borrowed \$165.0 million under the new facility to pay the initial merger consideration and related costs of \$201.1 million, \$21.0 million of Sverdrup indebtedness existing at closing, and \$5.1 million during the year for other purposes. During fiscal 1999, the Company paid down \$73.0 million of its long-term, \$230.0 million revolving credit facility relating primarily to the Sverdrup transaction.

The Company believes it has adequate capital resources to fund its operations in fiscal 2000 and beyond. The Company's consolidated working capital position was \$144.6 million at September 30, 1999 compared to \$197.7 million at September 30, 1998. And as discussed above, the Company entered into a new, long-term \$230.0 million revolving credit facility during the second quarter of fiscal 1999, against which \$118.1 million was outstanding at September 30, 1999 in the form of direct borrowings. These borrowings relate to the merger indebtedness, and other refinanced amounts that were outstanding under the old \$45.0 million revolving credit agreement. At September 30, 1999, the Company had \$43.6 million available through committed short-term credit facilities, of which \$19.0 million was outstanding at that date in the form of direct borrowings and letters of credit.

The Company has filed a protective claim with the Internal Revenue Service. The nature of the claim involves monies the Company believes it is due from the government relating to the research and development tax credit for fiscal years 1991 through 1998. Although the Company has been working on quantifying the amount of the credit, the final tax refund amount has not yet been determined. Based on a preliminary review of the information available, the ultimate refund amount may have a significant and positive effect on the Company's overall liquidity.

Year 2000 Readiness

The following discussion of the Year 2000 issue contains numerous "forward- looking statements". See "Forward-Looking Statements and Other Safe Harbor Applications", below, for a discussion of factors to be considered in reading forward-looking statements.

This discussion of "Year 2000" (or "Y2K") relates to the possible inability of computers, hardware or software to perform properly because they are unable to interpret date information correctly after December 31, 1999, and includes all of the associated consequences of such failures on the Company's operations. If not corrected, such situations could result in computer-system failures or miscalculations causing disruptions in the Company's operations, including a temporary inability to process transactions, pay employees, vendors and subcontractors, send invoices or engage in similar, normal business activities.

The Year 2000 Task Force

The Company began its assessment of its Year 2000 readiness during fiscal 1997. In that year the Company organized a Year 2000 task force comprised primarily of Company employees. The Company identified four information technology ("IT") and non-IT business areas for which Y2K compliance is critical to the normal and routine operations of the Company. These business areas were: (1) internally developed computer software; (2) commercial off- the-shelf software; (3) computer hardware; and (4) facilities-related applications and processes, such as telecommunications and equipment with embedded chips.

Financial and Accounting Systems

Also included in the Company's Year 2000 compliance program are the hardware, software, and other applications issues relating to the Company's financial and accounting systems. In 1997 the Company embarked upon a completely separate initiative (referred to as the "Global Financial Systems Project") to migrate most of its existing financial and accounting systems to a single accounting system, which eventually will be utilized by all of the Company's operations worldwide. Most of the Company's U.S. operations were migrated to the Global Financial Systems Project during 1999. The Global Financial Systems Project utilizes commercial off-the-shelf software with internally developed program interfaces. Based on assurances from the third party provider of the commercial off-the-shelf software, and discussions with the third party consultants employed by the Company to

assist in the system conversion, the Company believes its Global Financial Systems Project is Y2K compliant. The critical operational elements of the financial and accounting systems have been tested and their Y2K readiness has been verified. The critical financial, accounting and payroll applications in the United Kingdom, Ireland, Europe and India, have been tested and remediated, and the Y2K compliant versions of most critical software applications are operational.

The Year 2000 Program

The Company's systems and hardware components have been through a rigorous process to address the Y2K problem. This process involved the following phases: inventory, assessment, remediation, testing and implementation. In addition, a contingency plan for critical business applications and continuing project operations is in place. The Year 2000 program also includes a transition plan for the rollover period from 1999 to 2000. Included in this transition plan are data backup, shutdown and startup, and a network of command centers, which will be operational through the year 2000.

Third Party Compliance

The Company continues to evaluate the possible effects of the Y2K issue on its clients, suppliers, subcontractors and vendors. Although the possible effects of the Y2K issue on these parties are beyond the control of the Company, the Company has initiated and maintained a process to communicate with these parties to inform them of the Company's Y2K strategy and to determine their own Y2K strategy and progress. Third party vendors have also been notified of their responsibility and contractual clauses incorporated in procurement documents.

Cost of the Year 2000 Program

The Company estimates the total cost of its Y2K compliance program at approximately \$4.0 million. This estimate consists of both internal and external costs, and includes a maximum of \$2.0 million for new hardware and software, although a substantial portion of such new hardware and software would have been purchased by the Company through the regular and routine upgrading of systems. Such hardware and software will be capitalized and depreciated over the estimated useful lives of the related assets. All other expenditures will be charged to expense. As of September 30, 1999, the Company had spent most of its estimated budget.

Progress of the Year 2000 Program

As of September 30, 1999, the Company was actively engaged in one or more compliance phases with respect to each of the four business areas described above. Although there can be no guarantee of complete readiness by the Year 2000, the Company believes each of the business areas described above is substantially Y2K compliant, such that further remediation and testing, if any, will not be significant to its operations. However, as discussed above, the Company is in the contingency planning phase of its Y2K compliance program. In the event the Company does not complete its program, or fails to properly identify and modify critical business applications, there may be an interruption to the Company's business that may have a materially adverse effect on its future financial condition and results of operations. In addition, Y2K-related disruptions in the economy in general may also have a materially adverse effect on its future financial condition and results of operations.

Risks

The failure to identify and correct a Y2K problem could result in an interruption in, or failure of, certain normal business activities or operations. The Company does not expect such failures to have a materially adverse effect on its results of operations or financial condition. However, because

of the general uncertainty about Year 2000 readiness throughout the world economy, which results in uncertainties regarding the readiness of the Company's vendors, contractors and clients, the Company is currently unable to determine whether Y2K problems may have a materially adverse effect on its results of operations or financial condition. As the Company's Y2K compliance program progresses, the level of uncertainty about this matter is being reduced, especially as to uncertainties about the Company's own degree of Y2K compliance and the compliance of its suppliers, contractors and clients.

Worst Case Scenario

It is not presently possible to describe a reasonably likely "worst case Year 2000 scenario" without making numerous assumptions. The Company presently believes that a most likely worst case scenario would make it necessary for the Company to replace some suppliers or contractors, rearrange some work plans, or interrupt some office and field activities. Assuming this scenario is correct, the Company does not believe that such circumstances would have a materially adverse effect on its financial condition or results of operations, even if additional costs to correct unanticipated compliance failures are incurred.

Contingency Plans

The Company currently has contingency plans in place in the event it does not complete all phases of its Y2K compliance program by December 31, 1999, or in the event unidentified issues cause business disruptions. The Company has identified the critical business areas, and specific contingency plans have been developed. The resources, critical elements, and activating mechanisms for the contingency plans are in place. The Company continues to monitor carefully the progress of its Y2K program and its state of readiness on a regular basis. The Company's contingency plans were based on its best estimates of numerous factors, which, in turn were derived by relying on numerous assumptions about future events. However, there can be no assurance that these assumptions or estimates will have been correctly made, or that the Company will have anticipated all relevant factors, or that there will not be a delay in or increased costs associated with the Company's Y2K program. Any delay in implementation of the Y2K program could affect the Company's Y2K readiness. Specific factors that might cause the actual outcome to differ from the projected outcome include, without limitation, the continued availability of personnel and consultants trained in the computer programming skills necessary for remediation of Y2K problems, the ability to locate and correct all relevant computer codes and embedded software, timely responses by third parties, including suppliers, contractors and clients, and the ability to implement interfaces between new systems and systems not being replaced.

The foregoing discussion regarding the Y2K issue is a "Year 2000 Readiness Disclosure" as that term is discussed in the Year 2000 Information and Readiness Disclosure Act of 1998.

Current Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 -- Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). As amended by Statement of Financial Accounting Standards No. 137 -- Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133 ("SFAS 137"), SFAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 2000. SFAS 133 requires recognition of all derivative instruments as either assets or liabilities. Gain or loss recognition is determined based on the intended use and resulting designation of the derivative instrument.

At September 30, 1999, the Company had no significant derivative financial instruments. Therefore, as of September 30, 1999, SFAS 133 would have had no material impact on the Company's financial position or results of operations.

Forward-Looking Statements and Other Safe Harbor Applications

Statements included in this Management's Discussion and Analysis that are not based on historical facts are "forward-looking statements", as that term is discussed in the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current estimates, expectations and projections about the issues discussed, the industries in which the Company operates and the services it provides. By their nature, such forward-looking statements involve risks and uncertainties. The Company cautions the reader that a variety of factors could cause business conditions and results to differ materially from what is contained in its forward-looking statements. These factors include, but are not necessarily limited to, the following:

increase in competition by foreign and domestic competitors; availability of qualified engineers and other professional staff needed to execute contracts; the timing of new awards and the funding of such awards; the ability of the Company to meet performance or schedule guarantees; cost overruns on fixed, maximum or unit priced contracts; the outcome of pending and future litigation and governmental proceedings; the cyclical nature of the individual markets in which the Company's customers operate; the successful closing and/or subsequent integration of any merger or acquisition transaction; the amount of any contingent consideration the Company may be required to pay in the future in connection with the Sverdrup merger (including the availability of financing that may be required); and the Company's success in dealing with the Year 2000 issues discussed above under "Year 2000 Readiness". The preceding list is not all-inclusive, and the Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Readers of this Management's Discussion and Analysis should also read the Company's most recent Annual Report on Form 10-K for a further description of the Company's business, legal proceedings and other information that describes factors that could cause actual results to differ from such forward-looking statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 1999 and 1998
(In thousands, except share information)

	1999	1998
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 53,482	\$101,328
Marketable securities.....	--	16,482
Receivables.....	586,005	394,841
Deferred income taxes.....	76,405	45,419
Prepaid expenses and other.....	13,728	7,937
	-----	-----
Total current assets.....	729,620	566,007
	-----	-----
Property, Equipment and Improvements, Net.....	139,653	100,565
	-----	-----
Other Noncurrent Assets:		
Goodwill, net.....	245,451	77,246
Other.....	105,462	63,671
	-----	-----
Total other noncurrent assets.....	350,913	140,917
	-----	-----
	\$1,220,186	\$807,489
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable.....	\$ 9,465	\$ 217
Accounts payable.....	186,287	101,846
Accrued liabilities.....	281,967	161,552
Customers' advances in excess of related revenues.....	93,303	85,049
Income taxes payable.....	13,960	19,684
	-----	-----
Total current liabilities.....	584,982	368,348
	-----	-----
Long-term Debt.....	135,371	26,221
	-----	-----
Other Deferred Liabilities.....	44,988	35,170
	-----	-----
Minority Interests.....	6,128	6,345
	-----	-----
Commitments and Contingencies		
Stockholders' Equity:		
Capital stock:		
Preferred stock, \$1 par value, authorized -- 1,000,000 shares, issued and outstanding -- none.....	--	--
Common stock, \$1 par value, authorized -- 60,000,000 shares, issued and outstanding -- 26,142,992 shares in 1999; issued -- 25,866,798 shares in 1998.....	26,143	25,867
Additional paid-in capital.....	68,049	55,698
Retained earnings.....	358,958	300,296
Accumulated other comprehensive loss.....	(3,595)	(1,800)
	-----	-----
	449,555	380,061
Unearned compensation.....	(838)	(1,056)
Common stock in treasury, at cost (254,028 shares in 1998).....	--	(7,600)
	-----	-----
Total stockholders' equity.....	448,717	371,405
	-----	-----
	\$1,220,186	\$807,489
	=====	=====

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the Years Ended September 30, 1999, 1998 and 1997
(In thousands, except per share information)

	1999	1998	1997
	-----	-----	-----
Revenues.....	\$ 2,875,007	\$ 2,101,145	\$ 1,780,616
	-----	-----	-----
Costs and Expenses:			
Direct costs of contracts.....	(2,477,678)	(1,830,618)	(1,546,898)
Selling, general and administrative expenses.....	(289,034)	(184,043)	(160,157)
	-----	-----	-----
Operating Profit.....	108,295	86,484	73,561
Other Income (Expense):			
Interest income.....	3,031	5,092	5,185
Interest expense.....	(8,767)	(2,356)	(2,226)
Miscellaneous income (expense), net....	1,963	(436)	929
	-----	-----	-----
Total other income (expense).....	(3,773)	2,300	3,888
	-----	-----	-----
Earnings Before Taxes.....	104,522	88,784	77,449
Income Tax Expense.....	(39,077)	(34,399)	(30,554)
	-----	-----	-----
Net Earnings.....	\$ 65,445	\$ 54,385	\$ 46,895
	=====	=====	=====
Net Earnings Per Share:			
Basic.....	\$ 2.54	\$ 2.12	\$ 1.82
Diluted.....	\$ 2.47	\$ 2.08	\$ 1.80
	=====	=====	=====

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended September 30, 1999, 1998 and 1997
(In thousands)

	1999	1998	1997
	-----	-----	-----
Net Earnings.....	\$65,445	\$54,385	\$46,895
	-----	-----	-----
Other Comprehensive Income (Loss):			
Unrealized gains (losses) on securities.....	3,470	(188)	(846)
Foreign currency translation adjustments.....	(3,946)	(9)	(3,444)
	-----	-----	-----
Other Comprehensive Loss Before Income Taxes.....	(476)	(197)	(4,290)
Income Tax (Expense) Benefit Relating To Other Comprehensive Income (Loss).....	(1,319)	75	339
	-----	-----	-----
Other Comprehensive Loss.....	(1,795)	(122)	(3,951)
	-----	-----	-----
Total Comprehensive Income.....	\$63,650	\$54,263	\$42,944
	=====	=====	=====

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended September 30, 1999, 1998 and 1997
(In thousands)

	1999	1998	1997
	-----	-----	-----
Common Stock:			
Balance at the beginning of the year.....	\$ 25,867	\$ 25,811	\$ 25,745
Issuances from stock option exercises.....	399	103	133
Repurchases from stock option exercises.....	(131)	(59)	(73)
Issuances of restricted stock.....	8	12	6
	-----	-----	-----
Balance at the end of the year.....	26,143	25,867	25,811
	-----	-----	-----
Additional Paid-in Capital:			
Balance at the beginning of the year.....	55,698	52,186	49,191
Stock option exercises, including the related income tax benefits.....	12,399	3,521	3,285
Repurchases of common stock from stock option exercises.....	(293)	(353)	(446)
Issuances of restricted stock.....	245	344	156
	-----	-----	-----
Balance at the end of the year.....	68,049	55,698	52,186
	-----	-----	-----
Retained Earnings:			
Balance at the beginning of the year.....	300,296	249,791	207,639
Net earnings.....	65,445	54,385	46,895
Income tax benefits related to stock option exercises.....	(1,618)	(2,272)	(2,847)
Repurchases of common stock from stock option exercises.....	(5,165)	(1,608)	(1,896)
	-----	-----	-----
Balance at the end of the year.....	358,958	300,296	249,791
	-----	-----	-----
Accumulated Other Comprehensive Income (Loss):			
Balance at the beginning of the year.....	(1,800)	(1,678)	2,273
Foreign currency translation adjustments.....	(3,946)	(9)	(3,444)
Net unrealized gains (losses) on securities.....	2,151	(113)	(507)
	-----	-----	-----
Balance at the end of the year.....	(3,595)	(1,800)	(1,678)
	-----	-----	-----
Unearned Compensation:			
Balance at the beginning of the year.....	(1,056)	(1,066)	(1,234)
Issuances of restricted stock, net of the related amortization.....	218	10	168
	-----	-----	-----
Balance at the end of the year.....	(838)	(1,056)	(1,066)
	-----	-----	-----
Treasury Stock, at Cost:			
Balance at the beginning of the year.....	(7,600)	(736)	(227)
Purchases of common stock for treasury.....	--	(18,046)	(12,075)
Reissuances of treasury stock from stock option exercises.....	7,600	11,182	11,566
	-----	-----	-----
Balance at the end of the year.....	--	(7,600)	(736)
	-----	-----	-----
Total Stockholders' Equity.....	\$448,717	\$371,405	\$324,308
	=====	=====	=====

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 1999, 1998 and 1997
(In thousands)

	1999	1998	1997
	-----	-----	-----
Cash Flows from Operating Activities:			
Net earnings.....	\$ 65,445	\$ 54,385	\$ 46,895
Adjustments to reconcile net earnings to net cash flows from operations:			
Depreciation and amortization.....	31,586	23,184	19,626
Amortization of deferred gains.....	--	(205)	(820)
Gains on sales of assets.....	(3,986)	(8,577)	(742)
Changes in assets and liabilities, excluding the effects of businesses acquired:			
Receivables.....	(10,897)	(25,135)	(34,849)
Prepaid expenses and other current assets....	476	6,010	(416)
Accounts payable.....	17,035	10,076	783
Accrued liabilities.....	25,107	16,757	18,537
Customers' advances.....	(30,879)	7,384	(1,685)
Income taxes payable.....	(5,370)	11,280	(932)
Deferred income taxes.....	(7,195)	(5,067)	(2,784)
Other, net.....	470	366	330
	-----	-----	-----
Net cash provided by operating activities.....	81,792	90,458	43,943
	-----	-----	-----
Cash Flows from Investing Activities:			
Additions to property and equipment.....	(38,970)	(46,335)	(28,025)
Disposals of property and equipment.....	4,926	26,766	289
Net (increase) decrease in other noncurrent assets.....	(4,868)	8,620	(16,780)
Purchases of marketable securities.....	(1,800)	(5,386)	(20,000)
Proceeds from sales of marketable securities...	18,282	10,034	1,837
Purchases of investments.....	(1,442)	(3,319)	(4,491)
Proceeds from sales of investments.....	4,285	--	936
Acquisitions of businesses, net of cash acquired.....	(201,052)	--	(3,307)
	-----	-----	-----
Net cash used for investing activities.....	(220,639)	(9,620)	(69,541)
	-----	-----	-----
Cash Flows from Financing Activities:			
Exercises of stock options, including the related income tax benefits.....	14,667	11,496	10,970
Purchases of common stock for treasury.....	--	(18,046)	(12,075)
Proceeds from long-term borrowings.....	170,220	--	21,415
Repayments of long-term borrowings.....	(97,027)	(29,264)	--
Net change in short-term borrowings.....	9,141	(1,257)	--
Other, net.....	(2,652)	1,639	--
	-----	-----	-----
Net cash provided (used) by financing activities.....	94,349	(35,432)	20,310
	-----	-----	-----
Effect of Exchange Rate Changes.....	(3,348)	(70)	(1,585)
	-----	-----	-----
(Decrease) increase in Cash and Cash Equivalents.....	(47,846)	45,336	(6,873)
Cash and Cash Equivalents at Beginning of Period.....	101,328	55,992	62,865
	-----	-----	-----
Cash and Cash Equivalents at End of Period.....	\$ 53,482	\$101,328	\$ 55,992
	=====	=====	=====

See the accompanying Notes to Consolidated Financial Statements.

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 reclassifications have been made to prior years' consolidated financial statements to conform to the September 30, 1999 presentation.

Description of the Business

The Company's principal business is to provide professional engineering, design, and architectural services, scientific and technical support services, construction and construction management services, and plant maintenance services to its industrial, commercial and government clients. The Company provides its services from offices located primarily throughout the United States, Europe, India and Australia. 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, 1999, 1998 and 1997 was as follows:

	1999	1998	1997
Cost-reimbursable.....	73%	81%	82%
Fixed-price.....	22	18	16
Guaranteed maximum.....	5	1	2

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 may 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 at the time services were performed 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 profit in its consolidated statements of earnings.

When the Company is directly responsible for subcontractor labor, or third-party material and equipment, the Company reflects the costs of such items in both revenues and costs. On other projects, where the client elects to pay for such items directly and the Company has no associated responsibility for such items, these amounts are not reflected in either revenues or costs.

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

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, 1999 and 1998 consisted primarily of time certificates of deposit.

Marketable Securities and Investments

The Company's investments in equity and debt securities are classified as trading securities, held-to-maturity securities or available-for-sale securities. 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 recorded at fair value and shown as "Marketable securities" in the consolidated balance sheets. Changes in fair value of trading securities are recognized in earnings in the period in which the change occurs and is included in "Miscellaneous income (expense), net" in the accompanying consolidated statements of earnings.

Held-to-maturity securities and available-for-sale securities are included as long-term investments in "Other noncurrent assets" in the consolidated balance sheets. Held-to-maturity securities are carried at cost, or amortized cost, adjusted for the amortization (accretion) of any related premiums (discounts) over the estimated remaining period until maturity. Marketable equity securities that are not held for trading, and debt securities that are not classified as held-to-maturity, are classified as available-for-sale securities. Securities designated as available-for-sale are recorded at fair value. Changes in the fair value of securities available-for-sale are recorded in the "Accumulated Other Comprehensive Income (Loss)" section of stockholders' equity as unrealized gains or losses, net of the related tax effect.

Receivables and Customers' Advances

Included in receivables at September 30, 1999 and 1998 were recoverable amounts under contracts in progress of \$240,964,600 and \$106,072,200, respectively. These represent amounts earned under contracts in progress but not billable at the respective balance sheet dates. 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 these unbilled receivables at September 30, 1999 and 1998 were contract retentions totaling \$7,965,100 and \$11,808,000, respectively. The Company anticipates that substantially all of such unbilled amounts will be billed and collected over the next twelve months.

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. The Company anticipates that substantially all such amounts will be earned over the next twelve months.

Property, Equipment and Improvements

Property, equipment and improvements are stated at cost in the accompanying consolidated balance sheets. Depreciation and amortization of property and equipment is computed primarily by using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the lesser of the life of the asset or the remaining term of the related lease. 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.

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

Goodwill

Goodwill represents the excess of the purchase price paid over the fair value of the net assets of acquired companies and is being amortized against earnings using the straight-line method over periods not exceeding 40 years. The carrying value of goodwill is reviewed for recoverability, and if there are indications of impairment, the Company assesses any potential impairment based upon undiscounted cash flow forecasts. No impairment losses have been recognized in any of the periods presented. Goodwill is shown in the accompanying consolidated balance sheets net of accumulated amortization of \$14,816,800 and \$9,317,300 at September 30, 1999 and 1998, respectively.

Earnings Per Share

The Company adopted Statement of Financial Accounting Standards No. 128 -- Earnings per Share ("SFAS 128") effective with the first quarter of fiscal 1998 ending December 31, 1997, and accordingly restated prior period earnings per share ("EPS") data. Basic EPS was computed by dividing net earnings by the weighted average number of shares of common stock outstanding for the period. Diluted EPS gives effect to all dilutive securities that were outstanding during the period. The Company's dilutive securities consisted solely of nonqualified stock options.

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 25"). Accordingly, no compensation cost has been recorded in connection with grants of stock options. With respect to the issuance of restricted stock, unearned compensation expense equivalent to the market value of the stock issued on the date of grant is charged to stockholders' equity and subsequently amortized against earnings over the periods during which the restrictions lapse. During fiscal years 1999, 1998 and 1997, the Company recognized compensation expense on restricted stock of \$470,300, \$366,300 and \$329,900, respectively.

Concentrations of Credit Risk, Uncertainties and Use of Estimates

The Company's cash balances and short-term investments are maintained in accounts held by major banks and financial institutions located primarily in the United States and Europe. In the normal course of its business and consistent with industry practices, the Company grants credit to its clients without requiring collateral. Concentrations of credit risk is the risk that, if the Company extends a significant portion of its credit to clients in a specific geographical area or industry, the Company may experience disproportionately high levels of default, if those clients are adversely affected by factors particular to their geographic area or industry. Concentrations of credit risk relative to trade receivables are limited due to the Company's diverse client base, which includes the federal government and multi-national corporations operating in a broad range of industries and geographic areas. Additionally, in order to mitigate credit risk, the Company continually evaluates the credit worthiness of its major commercial clients.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the balance sheets and revenues and expenses for the periods covered. 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 significantly from those estimates and assumptions.

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

2. Earnings Per Share

The following table reconciles the denominator used to compute basic EPS to the denominator used to compute diluted EPS (in thousands):

	1999	1998	1997
	-----	-----	-----
Weighted average shares outstanding (denominator used to compute Basic EPS).....	25,803	25,689	25,727
Effect of employee and outside director stock options.	675	407	262
	-----	-----	-----
Denominator used to compute Diluted EPS.....	26,478	26,096	25,989
	=====	=====	=====

The weighted average number of shares outstanding for fiscal years 1998 and 1997 exclude common shares in treasury.

3. Business Combinations

On January 14, 1999, the Company completed its Agreement and Plan of Merger with Sverdrup Corporation ("Sverdrup"). Sverdrup provides engineering, architecture, construction and scientific and technical support services for the development, design, construction and operation of capital facilities, infrastructure projects and advanced technical systems for public and private sector clients in the United States and internationally. Sverdrup employs more than 5,600 people in 35 offices.

Under the terms of the merger agreement, at closing, a wholly-owned subsidiary of the Company ("Merger Subsidiary") was merged with and into Sverdrup. Thereupon, each outstanding share of common stock of Sverdrup was converted into the right to receive a proportional share of the total amount of initial merger consideration of \$198.0 million paid at closing. Each outstanding share of common stock of Sverdrup will also receive a proportional amount of any additional merger consideration that may be paid in the future ("Deferred Merger Consideration"). Amounts payable as Deferred Merger Consideration, if any, will be payable shortly after each of the first three anniversaries of the date of the merger agreement, and is contingent upon the Company's stock price exceeding certain price thresholds as defined in the merger agreement. The total amount payable as Deferred Merger Consideration is limited to a maximum of \$31.0 million. After the merger and conversion, the Merger Subsidiary ceased to exist, and Sverdrup survives as a new, wholly-owned subsidiary of the Company. The terms of the merger were arrived at by arms-length negotiations between the parties.

Of the total initial merger consideration of \$198.0 million paid at closing, \$10.0 million was paid into an escrow account, the purpose of which will be to settle certain claims or disputes relating to certain contracts and litigation matters identified in the merger agreement.

The initial merger consideration was financed in part by a new, \$230.0 million revolving credit facility obtained by the Company from a group of banks. Amounts borrowed under this facility initially were used to fund that portion of the initial merger consideration not financed using existing internal funds, and the repayment of certain Sverdrup indebtedness existing at closing.

The acquisition has been accounted for as a purchase. Accordingly, the purchase price has been allocated to the assets and liabilities acquired based on their estimated fair values. The purchase price allocation, which may be adjusted further, resulted in goodwill of approximately \$176.3 million, which is being amortized in accordance with the Company's accounting policies.

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

The following unaudited pro forma financial information presents the combined results of operations of Jacobs and Sverdrup, after giving effect to certain adjustments, including amortization of goodwill, additional interest expense, and related income tax effects, and assuming the acquisition occurred at the beginning of the periods presented. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had Jacobs and Sverdrup constituted a single entity during such periods (in thousands, except per share data):

	Years Ended September 30,	
	1999	1998
	----- ----- -----	
	Unaudited	
Pro forma revenues.....	\$3,134,579	\$3,097,627
Pro forma net earnings.....	\$ 65,905	\$ 51,278
Pro forma earnings per share:		
Basic.....	\$ 2.55	\$ 2.00
Diluted.....	\$ 2.49	\$ 1.96
	=====	=====

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 increased, in a cash transaction, its ownership interest from 40% to 51% in an affiliated entity headquartered in Mumbai, India (this interest was increased to 70% 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 several engineering and construction companies comprising the Serete Group, which is headquartered in France. The sum of the individual purchase prices totalled \$29,781,500. Each of these acquisitions has 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 purchase price allocations resulted in goodwill of approximately \$39,036,000.

4. Marketable Securities and Investments

Included in marketable securities at September 30, 1998 was a \$16,059,200 deposit with a U.S. bank made under a managed investment program. During the first quarter of fiscal 1999, the Company liquidated this portfolio of marketable debt securities for approximately \$16,500,000.

At September 30, 1999, the Company had available-for-sale securities of \$9,716,300 which are included in "Other Noncurrent Assets", for which a net unrealized gain of \$2,151,200 was recorded in stockholders' equity. At September 30, 1998, the Company had available-for-sale securities of \$118,900 and recorded net unrealized losses of \$113,100 in its stockholders' equity.

The following table summarizes certain information regarding the Company's available-for-sale equity securities at September 30, 1999 and 1998, and for each of the years then ended (in thousands):

	1999	1998
	-----	-----
Total cost (specific identification method).....	\$6,246	\$117
Gross unrealized gains.....	3,470	2
Estimated fair value.....	9,716	119
Gross realized gains.....	3,648	--
Gross proceeds from sales.....	4,285	--

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

5. Property, Equipment and Improvements, Net

Property, equipment and improvements consisted of the following at September 30, 1999 and 1998 (in thousands):

	1999	1998
	-----	-----
Land.....	\$ 14,407	\$ 11,416
Buildings.....	47,313	33,440
Equipment.....	164,538	133,379
Leasehold improvements.....	18,913	10,642
Construction in progress.....	10,419	12,595
	-----	-----
	255,590	201,472
Accumulated depreciation and amortization.....	(115,937)	(100,907)
	-----	-----
	\$ 139,653	\$ 100,565
	=====	=====

Operating expenses include provisions for depreciation and amortization of \$26,259,500, \$20,847,500 and \$18,217,100 for fiscal 1999, 1998 and 1997, respectively.

6. Borrowings

Short-term Credit Arrangements

At September 30, 1999, the Company had approximately \$43,558,000 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. Three of the agreements limit borrowings by the amount of letters of credit outstanding under the respective agreements. Borrowings under the lines are generally unsecured, and the lines extend through the second and third fiscal quarters of 2000.

Other information regarding the lines of credit for the years ended September 30, 1999, 1998 and 1997 follows (dollars in thousands):

	1999	1998	1997
	-----	-----	-----
Amount outstanding at year end.....	\$ 6,868	\$ 217	\$1,317
Weighted average interest rate at year end.....	6.5%	24.6%	8.23%
Weighted average borrowings outstanding during the year.....	\$ 2,295	\$ 537	\$ 183
Weighted average interest rate during the year.....	6.02%	11.54%	9.48%
Maximum amount outstanding during the year.....	\$14,210	\$3,313	\$1,368

The amount outstanding and the weighted average interest rate at September 30, 1998 related entirely to Chilean peso borrowings by the Company's subsidiary in Chile.

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

Long-term Debt and Credit Arrangements

Long-term debt consisted of the following at September 30, 1999 and 1998 (in thousands):

	1999	1998
	-----	-----
Borrowings under long-term, revolving credit agreements:		
\$230.0 Million agreement.....	\$118,051	\$ --
\$45.0 Million agreement.....	--	26,221
Mortgage loans payable.....	17,158	--
Other.....	2,759	--
	-----	-----
	137,968	
Less--current maturities (included in "Notes payable" in the accompanying consolidated balance sheet).....	2,597	--
	-----	-----
	\$135,371	\$26,221
	=====	=====

Borrowings under the \$230,000,000 long-term, revolving credit agreement are unsecured, and 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 certain minimum levels of net worth, a minimum coverage ratio of certain fixed charges, and a minimum leverage ratio of earnings before interest, taxes, depreciation and amortization to funded debt (all as defined in the agreement). The agreement also restricts the payment of cash dividends and requires the Company to pay a facility fee based on the total amount of the commitment. The agreement expires in March 2004.

The scheduled maturities of the Company's long-term debt at September 30, 1999 were as follows (in thousands):

Year ending September 30,		
2000.....	\$ 2,597	
2001.....	596	
2002.....	557	
2003.....	592	
2004.....	118,543	
Thereafter.....	15,083	

	\$137,968	
	=====	

The Company's \$45,000,000 long-term, revolving credit agreement was also unsecured. It was terminated in January 1999 and replaced by the \$230,000,000 long-term, revolving credit agreement discussed above.

The mortgage loans were assumed as a result of the merger with Sverdrup. These mortgage loans relate to, and are secured by, certain real property owned in St. Louis, Missouri, with a weighted average interest rate of 7.76% at September 30, 1999. The properties have a combined net book value of approximately \$19,457,000 at September 30, 1999.

Interest expense for the years ended September 30, 1999, 1998 and 1997 was \$8,767,000, \$2,356,400 and \$2,226,100, respectively. Interest payments made during fiscal 1999, 1998 and 1997 totalled \$8,959,500, \$2,517,100 and \$1,801,500, respectively.

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

7. Pension Plans

Effective September 30, 1999, the Company adopted Statement of Financial Accounting Standards No. 132 -- Employees' Disclosure about Pensions and Other Postretirement Benefits ("SFAS 132"). SFAS 132 amends existing disclosure requirements, but does not change measurement standards, of pension and other postretirement benefit plans. SFAS 132 standardizes the disclosure requirements for such plans to the extent practicable, and requires disclosures of additional information on changes in benefit obligations and fair values of plan assets.

Company-only Sponsored Plans

The Company sponsors various pension plans covering employees of certain U.S. domestic and international subsidiaries. These plans provide pension benefits that are based on the employee's compensation and years of service. 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 sets forth the change in the plans' net benefit obligation for each of the years ended September 30, 1999 and 1998 (in thousands):

	1999	1998
	-----	-----
Net benefit obligation at the beginning of the year.....	\$105,857	\$ 78,972
Effect of Sverdrup merger.....	241,749	--
Service cost.....	8,828	2,451
Interest cost.....	18,833	6,468
Participants' contributions.....	2,449	817
Actuarial (gains) losses.....	(13,228)	12,943
Benefits paid.....	(13,076)	(4,966)
Effects of plan amendments.....	(2,680)	--
Special termination benefits.....	592	--
Settlements.....	(23,449)	--
Other.....	(9,000)	9,172
	-----	-----
Net benefit obligation at the end of the year.....	\$316,875	\$105,857
	=====	=====

The following table sets forth the change in the plans' assets for each of the years ended September 30, 1999 and 1998 (in thousands):

	1999	1998
	-----	-----
Fair value of plan assets at the beginning of the year.....	\$122,449	\$ 97,979
Effect of Sverdrup merger.....	220,411	--
Actual return on plan assets.....	13,016	17,893
Employer contributions..	10,675	--
Participants' contributions.....	2,449	817
Customer note payment...	(2,000)	--
Gross benefits paid.....	(36,524)	(4,966)
Other.....	(9,556)	10,726
	-----	-----
Fair value of plan assets at the end of the year.....	\$320,920	\$122,449
	=====	=====

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

In both of the preceding tables, "Other" consists primarily of the effects of exchange rate fluctuations used to translate the information disclosed therein.

The following table reconciles the funded status of the plans, as well as amounts recognized and not recognized in the accompanying consolidated balance sheets at September 30, 1999 and 1998 (in thousands):

	1999	1998
	-----	-----
Funded status at the end of the year.....	\$4,045	\$16,592
Unrecognized actuarial (gains) losses.....	1,246	(4,320)
Other.....	(75)	(343)
	-----	-----
Net amount recognized at end of the year.....	\$5,216	\$11,929
	=====	=====

Amounts recognized in the accompanying consolidated balance sheets at September 30, 1999 and 1998 consisted of the following (in thousands):

	1999	1998
	-----	-----
Prepaid pension asset.....	\$18,704	\$11,929
Accrued benefit liability.....	13,488	--
	-----	-----
Net amount recognized at the end of the year.....	\$ 5,216	\$11,929
	=====	=====

The pension plans have a total, net over-funded status of approximately \$4,045,000 and \$16,592,000 at September 30, 1999 and 1998, respectively. The 1999 amount is net of two pension plans under operating contracts with the United States government which were under funded by a total of approximately \$14,865,000. Included in other assets at September 30, 1999 is \$11,059,000 representing the accumulated excess funding of benefits over the amounts reimbursed by the U.S. government in connection with an operating contract.

The components of net periodic pension cost for each of the years ended September 30, 1999, 1998 and 1997 were as follows (in thousands):

	1999	1998	1997
	-----	-----	-----
Service costs.....	\$ 8,857	\$ 2,451	\$ 1,258
Interest cost.....	18,899	6,468	5,624
Expected return on plan assets.....	(24,957)	(8,259)	(6,824)
	-----	-----	-----
Net periodic costs, before the effects of special termination.....	2,799	660	58
Special termination.....	820	--	--
	-----	-----	-----
Total net periodic pension cost.....	\$ 3,619	\$ 660	\$ 58
	=====	=====	=====

The significant actuarial assumptions used in determining the funded status of the plans were as follows:

	1999	1998	1997
	-----	-----	-----
Weighted average discount rate.....	6.5% to 7.75%	6.5%	8.0%
Rate of compensation increases.....	4.0% to 4.5%	4.5%	6.0%
Expected return on plan assets.....	7.3% to 9.5%	7.0%	8.5%
	=====	===	===

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

Multiemployer 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 \$3,835,300, \$4,025,300 and \$2,694,700 for the years ended September 30, 1999, 1998 and 1997, respectively.

8. Savings and Deferred Compensation Plans

Savings Plans

The Company maintains savings plans for substantially all of its domestic, nonunion employees, which allow participants to make contributions by salary deduction pursuant to section 401(k) of the Internal Revenue Code. The Company's contributions to these plans totalled \$16,044,700, \$9,568,700 and \$8,710,500, for fiscal 1999, 1998 and 1997, respectively. Company contributions are generally voluntary, and represent a partial matching of employee contributions.

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, 1999, 1998 and 1997 were \$2,394,900, \$1,588,800 and \$1,672,600, respectively. Included in other deferred liabilities in the accompanying consolidated balance sheets at September 30, 1999 and 1998 was \$22,778,800 and \$22,847,700, respectively, relating to the ESP and EDP plans.

9. 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% 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, 1999, 1998 and 1997 follows:

	1999	1998	1997
Aggregate purchase price.....	\$10,306,530	\$7,495,590	\$7,067,700
Shares purchased.....	385,017	302,514	325,110

At September 30, 1999, there were 807,949 shares reserved for issuance under the 1989 ESPP.

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

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, 1999, there were 2,651,481 shares of common stock reserved for issuance under the 1981 Plan.

The following is a summary of the transactions under the 1981 Plan for each of the years ended September 30, 1999, 1998 and 1997:

	Number of Options	Weighted Average Exercise Price
Outstanding at September 30, 1996.....	1,789,323	\$21.69
Granted.....	472,000	22.66
Exercised.....	(270,969)	15.35
Cancelled or expired.....	(61,520)	20.46
Outstanding at September 30, 1997.....	1,928,834	22.85
Granted.....	577,500	28.80
Exercised.....	(216,904)	18.78
Cancelled or expired.....	(74,980)	23.50
Outstanding at September 30, 1998.....	2,214,450	24.79
Granted.....	611,000	34.62
Exercised.....	(306,819)	23.55
Cancelled or expired.....	(18,400)	26.31
Outstanding at September 30, 1999.....	2,500,231	27.33
	=====	=====

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

	1999	1998	1997
At September 30:			
Range of exercise prices for			
options outstanding.....	\$16.58 - \$37.36	\$16.58 - \$31.94	\$5.31 - \$28.56
Options exercisable.....	994,681	907,900	807,034
Options available for grant....	151,250	748,850	1,266,370
For the fiscal year ended:			
Range of prices for options			
exercised.....	\$16.58 - \$28.79	\$ 5.31 - \$27.88	\$7.94 - \$27.88
Weighted average fair value of			
options granted.....	\$17.33	\$13.79	\$10.83
	-----	-----	-----

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

The following table presents information regarding options outstanding and exercisable at September 30, 1999:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$16.58 - \$20.61.....	386,831	4.4	\$19.52	242,931	\$19.13
\$20.72 - \$25.84.....	712,300	5.2	\$23.43	417,600	\$23.27
\$26.88 - \$28.79.....	577,600	6.8	\$27.89	286,100	\$27.94
\$29.38 - \$37.36.....	823,500	9.2	\$33.99	48,050	\$31.83
	-----	---	----	-----	-----
	2,500,231	6.8	\$27.33	994,681	\$24.01
	=====	===	=====	=====	=====

Options outstanding at September 30, 1999 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.

During the years ended September 30, 1999, 1998 and 1997, the Company issued 8,000, 12,000 and 5,500 shares, respectively, of restricted stock under the 1981 Plan. 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, the Company accounts for stock issued to employees and outside directors in accordance with APB 25. Statement of Financial Accounting Standards No. 123 -- Accounting for Stock-Based Compensation ("SFAS 123") prescribes an optional, fair-value based method of accounting for stock issued to employees and others. Had the Company determined compensation cost under SFAS 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts as follows (in thousands, except per share data):

	For the Years Ended September 30,		
	1999	1998	1997
Net earnings:			
As reported.....	\$65,445	\$54,385	\$46,895
Pro forma.....	57,976	50,418	43,022
Earnings per share:			
Basic:			
As reported.....	\$ 2.54	\$ 2.12	\$ 1.82
Pro forma.....	2.25	1.96	1.67
Diluted:			
As reported.....	2.47	2.08	1.80
Pro forma.....	2.19	1.93	1.66
	=====	=====	=====

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

The fair value of each option is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	1999	1998	1997
Dividend yield.....	0%	0%	0%
Expected volatility.....	25.30%	24.22%	21.57%
Risk-free interest rate.....	5.40%	5.62%	6.50%
Expected life of options (in years).....	6.76	7.40	6.25

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

The effects of applying SFAS 123 for these pro forma disclosures are not likely to be representative of the effects on reported earnings for future years as options vest over several years and additional awards are generally made each year.

10. Income Taxes

The following is a summary of the Company's consolidated income tax expense (in thousands):

	1999	1998	1997
Current taxes:			
Federal.....	\$31,603	\$25,873	\$23,255
State.....	5,137	4,729	4,515
Foreign.....	4,053	6,528	4,519
	40,793	37,130	32,289
Deferred taxes:			
Federal.....	(1,263)	(2,340)	(1,563)
State.....	(453)	(391)	(172)
	(1,716)	(2,731)	(1,735)
Consolidated income tax expense.....	\$39,077	\$34,399	\$30,554

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

Deferred taxes reflect the tax effects of differences between the amounts recorded as assets and liabilities for financial reporting purposes and the amounts recorded for income tax purposes. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The components of the Company's net deferred tax asset at September 30, 1999 and 1998 were as follows (in thousands):

	1999	1998
	-----	-----
Deferred tax assets:		
Liabilities relating to employee benefit plans.....	\$ 34,250	\$27,177
Self-insurance reserves.....	19,851	8,838
Contract revenues and costs.....	22,625	10,481
Accrual for office consolidations.....	1,660	161
Other, net.....	--	150
	-----	-----
Gross deferred tax assets.....	78,386	46,807
	-----	-----
Deferred tax liabilities:		
Depreciation and amortization.....	(4,977)	(4,805)
Settlement of pension obligations.....	(4,367)	--
Unremitted foreign earnings.....	(2,709)	(2,458)
State income and franchise taxes.....	(1,534)	(1,732)
Unrealized gain on securities available-for-sale.....	(1,599)	--
Other, net.....	(447)	--
	-----	-----
Gross deferred tax liabilities.....	(15,633)	(8,995)
	-----	-----
Net deferred tax asset.....	\$ 62,753	\$37,812
	=====	=====

Included in other deferred liabilities in the consolidated balance sheets at September 30, 1999 and 1998 are deferred tax liabilities of \$13,652,300 and \$7,606,700, respectively.

The reconciliations from the statutory federal income tax expense to the consolidated effective income tax expense for each of the years ended September 30, 1999, 1998 and 1997 follows (in thousands):

	1999	1998	1997
	-----	-----	-----
Statutory amount.....	\$36,583	\$31,075	\$27,107
State taxes, net of the federal benefit.....	3,045	2,819	2,824
Other, net.....	(551)	505	623
	-----	-----	-----
	\$39,077	\$34,399	\$30,554
	=====	=====	=====
Rate used to compute statutory amount.....	35.0%	35.0%	35.0%
	=====	=====	=====
Consolidated effective income tax rate.....	37.4%	38.7%	39.5%
	=====	=====	=====

During fiscal 1999, 1998 and 1997, the Company paid approximately \$45,459,800, \$26,240,900 and \$32,038,000, respectively, in income taxes.

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

For the years ended September 30, 1999, 1998 and 1997, consolidated earnings before taxes consisted of the following (in thousands):

	1999	1998	1997
United States earnings.....	\$ 87,247	\$62,193	\$61,420
Foreign earnings.....	17,275	26,591	16,029
	-----	-----	-----
	\$104,522	\$88,784	\$77,449
	=====	=====	=====

United States income taxes, net of applicable credits, have been provided on the undistributed earnings of foreign subsidiaries, except in those instances where the earnings are expected to be permanently reinvested. At September 30, 1999, \$7,830,800 of such undistributed earnings were expected to be permanently reinvested. Should these earnings be repatriated, approximately \$2,070,700 of income taxes would be payable.

11. Commitments and Contingencies

The Company leases certain of its facilities and equipment under operating leases with net aggregate future lease payments of approximately \$123,669,800 at September 30, 1999 payable as follows (in thousands):

Year ending September 30,		
2000.....	\$ 37,657	
2001.....	28,650	
2002.....	21,028	
2003.....	15,320	
2004.....	11,916	
Thereafter.....	33,468	

	148,039	
Less -- amounts representing sublease income.....	(24,369)	

	\$123,670	
	=====	

Rent expense for fiscal years 1999, 1998 and 1997 amounted to \$47,382,500, \$29,393,000 and \$29,978,000, respectively, and was offset by sublease income of approximately \$3,716,300, \$4,112,000 and \$2,780,000, respectively.

Letters of credit outstanding at September 30, 1999 totalled \$68,397,300.

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, 2004 with the Chairman of its Board of Directors. The agreement provides for annual base payments of \$432,000 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.

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

In the normal course of business, the Company is subject to certain contractual guarantees and litigation. Generally, such guarantees relate to project 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.

In 1998, the Company was notified by the U.S. Department of Justice that was intervening in a lawsuit filed against the Company by a former employee under the False Claims Act (the "Act"). The lawsuit alleges that the Company overbilled the U.S. government for lease costs paid by the Company and relating to its former headquarters building located in Pasadena, California. The lawsuit seeks actual damages of approximately \$17.0 million, which, if a violation of the Act is found, would be trebled. Additional remedies available to the government include the possible imposition of civil penalties for each billing. Although the number of billings is contested, if a violation of the Act is found, such penalties would be at least \$10.0 million. The Company has denied any wrongdoing in the method it used to account for the lease costs in question and has denied that it acted with the intent required for liability under the Act. The Company contends that all of the facts regarding the 1982 transaction-in-question were disclosed to the government, which repeatedly approved the Company's lease charges after conducting annual audits. The Company intends to continue to vigorously defend itself against the lawsuit.

12. Common and Preferred Stock

The Company is authorized to issue two classes of capital stock: common stock and preferred stock (each have a par value of \$1.00 per share). The preferred stock may be issued in one or more series. The number of shares to be included in a series, as well as each series' designation, relative powers, dividend and other preferences, rights and qualifications, redemption provisions and restrictions are to be fixed by the Company's Board of Directors at the time such series are issued. Except as may be provided by the Board of Directors in a preferred stock designation, or otherwise provided for by statute, the holders of the Company's common stock have the exclusive right to vote for the election of Directors and all other matters requiring stockholder action. The holders of the Company's common stock are entitled to dividends if and when declared by the Board of Directors from whatever assets are legally available for that purpose.

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

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

\$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.

13. Other Financial Information

Other noncurrent assets consisted of the following at September 30, 1999 and 1998 (in thousands):

	1999	1998
Prepaid pension costs.....	\$ 18,704	\$11,929
Reimbursable pension costs.....	11,059	--
Cash surrender value of life insurance policies.....	30,228	26,920
Investments.....	32,024	20,277
Notes receivable.....	6,597	1,785
Miscellaneous.....	6,850	2,760
	\$105,462	\$63,671

Accrued liabilities consisted of the following at September 30, 1999 and 1998 (in thousands):

	1999	1998
Accrued payroll and related liabilities.....	\$143,110	\$103,626
Reserves.....	53,440	14,430
Insurance liabilities.....	48,406	23,154
Other.....	37,011	20,342
	\$281,967	\$161,552

The increase of \$39,010,000 in reserves was due primarily to the merger with Sverdrup, and related to accruals for various litigation exposures, costs of consolidating offices, and costs to complete planned workforce reductions.

14. Comprehensive Income

Effective with the first quarter of fiscal 1999 ending December 31, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes reporting and disclosure standards for comprehensive income and its components. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources.

The Company has disclosed the components of comprehensive income in the Statements of Consolidated Comprehensive Income and the Statements of Changes in Stockholders' Equity. SFAS 130 does not have any effect on the amounts previously reported for net earnings or stockholders' equity.

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

The accumulated balances related to each component of other comprehensive income (loss), net of related income tax, are as follows (in thousands):

	Unrealized Gains (Losses) on Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balances at September 30, 1996.....	\$ 621	\$ 1,652	\$ 2,273
Changes during the year.....	(507)	(3,444)	(3,951)
	-----	-----	-----
Balances at September 30, 1997.....	114	(1,792)	(1,678)
Changes during the year.....	(113)	(9)	(122)
	-----	-----	-----
Balances at September 30, 1998.....	1	(1,801)	(1,800)
Changes during the year.....	2,151	(3,946)	(1,795)
	-----	-----	-----
Balances at September 30, 1999.....	\$2,152	\$(5,747)	\$(3,595)
	=====	=====	=====

15. Segment Information

Effective September 30, 1999, the Company adopted Statement of Financial Accounting Standards No. 131 -- Disclosure About Segments of an Enterprise and Related Information ("SFAS 131"). SFAS 131 supercedes Statement of Financial Accounting Standards No. 14 -- Financial Reporting for Segments of a Business Enterprise ("SFAS 14"). SFAS 131 replaces the "industry approach" definition of "segment" that was promulgated by SFAS 14 with the "management approach" to identify an entity's reportable segments. Under the management approach, an entity's reportable segments are determined by the internal organization used by the entity's management for making operating decisions and assessing performance.

The Company's principal business is to provide professional and technical services. The Company provides its services from offices located primarily throughout the United States, Europe, India and Australia.

All of the Company's operations share similar economic characteristics. For example, all of the Company's operations are highly influenced by the general availability of qualified engineers and other professional staff. They also provide similar services, as well as share similar processes for delivering the Company's services. In addition, the use of technology among the Company's performance units is highly similar and consistent throughout the Company's organization, as is the Company's customer base (although the Company's operations outside the United States do very little work with the U.S. federal government), and the Company's quality assurance and safety programs. Accordingly, based on these similarities, the Company has concluded that its operations may be aggregated into one reportable segment for purposes of this disclosure.

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

The following table presents information by geographic area:

	Total Revenues	Long- lived Assets
	-----	-----
1999:		
United States.....	\$2,421,871	\$116,984
Europe.....	440,545	10,376
Asia.....	12,591	12,293
	-----	-----
Total.....	\$2,875,007	139,653
	-----	-----
1998:		
United States.....	\$1,676,997	\$ 78,742
Europe.....	410,944	11,032
Asia.....	13,204	10,791
	-----	-----
Total.....	\$2,101,145	\$100,565
	-----	-----
1997:		
United States.....	\$1,363,016	\$ 59,758
Europe.....	412,298	23,667
Asia.....	5,302	9,976
	-----	-----
Total.....	\$1,780,616	\$ 93,401
	-----	-----

Asia consists primarily of the Company's operations in India. Revenues were earned from unaffiliated customers located primarily within the respective geographic areas. Long-lived assets consist of property and equipment, net of accumulated depreciation and amortization. The results of the Company's operations in Mexico, Chile and Australia, and the Company's investment in long-lived assets in those geographic areas were not material.

For the years ended September 30, 1999, 1998 and 1997, projects with or for the benefit of agencies of the U.S. federal government accounted for 17.4%, 12.1% and 12.0%, respectively, of total revenues. Within the private sector, no single client accounted for 10% or more of total revenues in either 1999 or 1998. One private-sector client accounted for 15.3% of total revenues in 1997.

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

16. Quarterly Data -- Unaudited

Summarized quarterly financial information for the years ended September 30, 1999, 1998 and 1997 is presented below (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
1999					
Revenues.....	\$555,172	\$779,874	\$771,905	\$768,056	\$2,875,007
Operating profit.....	23,165	28,142	28,515	28,473	108,295
Earnings before taxes.....	24,054	25,872	26,818	27,778	104,522
Net earnings.....	15,155	16,170	16,760	17,360	65,445
Earnings per share:					
Basic.....	0.59	0.63	0.65	0.67	2.54
Diluted.....	0.58	0.61	0.63	0.65	2.47
Stock price:					
High.....	40.750	42.750	42.688	38.563	42.750
Low.....	26.938	35.250	35.563	32.125	26.938
1998					
Revenues.....	\$506,359	\$524,776	\$525,034	\$544,976	\$2,101,145
Operating profit.....	20,250	21,717	22,474	22,043	86,484
Earnings before taxes.....	21,001	21,838	22,753	23,192	88,784
Net earnings.....	12,810	13,320	13,880	14,375	54,385
Earnings per share:					
Basic.....	0.50	0.52	0.54	0.56	2.12
Diluted.....	0.49	0.51	0.53	0.55	2.08
Stock price:					
High.....	31.000	32.375	34.250	33.250	34.250
Low.....	24.688	24.750	29.500	25.125	24.688
1997					
Revenues.....	\$433,649	\$437,735	\$430,177	\$479,055	\$1,780,616
Operating profit.....	16,989	17,761	18,596	20,215	73,561
Earnings before taxes.....	17,997	18,907	19,818	20,727	77,449
Net earnings.....	10,870	11,420	11,970	12,635	46,895
Earnings per share:					
Basic.....	0.42	0.44	0.47	0.49	1.82
Diluted.....	0.42	0.44	0.46	0.48	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

As disclosed last year, the Company adopted SFAS 128 -- Earnings per Share effective with the first quarter of fiscal 1998 ending December 31, 1997, and accordingly restated prior period EPS data.

The Company's common stock is listed on the New York Stock Exchange. At September 30, 1999, there were 1,208 stockholders 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, 1999 and 1998, and the related consolidated statements of earnings, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended September 30, 1999. 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, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1999, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Los Angeles, California
November 3, 1999

MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL REPORTING

The consolidated financial statements and other information included in this appendix to this proxy statement 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 other financial information contained in this appendix 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 subsidiaries that, when 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 ("JEI")	100.00%
Jacobs Engineering Ireland, Ltd. a Republic of Ireland company	100.00%
Jacobs Engineering Espana, S.L., a Spanish company	100.00%
Pegasus Engineering Holdings Limited, a Republic of Ireland company	100.00%
Jacobs Engineering Mexico, S.A. de C.V., a Mexican corporation	100.00%
Jacobs Engineering Belgique S.A. de db, a Belgian company	100.00%
Jacobs Engineering Luxembourg, SARL, a Luxembourg company	100.00%
Jacobs International Limited, Inc., a Panama corporation	100.00%
Jacobs International Limited, a Republic of Ireland company	100.00%
Jacobs Engineering U.K. Limited, an English company ("JEL")	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%
Jacobs H&G Limited, an Indian company	69.98% *
HGC Constructors, Ltd., an Indian company	56.00%
Niryaat Overseas (India) Ltd., an Indian company	100.00%
Jacobs Computing Services Limited, A Republic of Ireland company	100.00%
Jacobs Sereland SL, a Spanish company	86.76%
Jacobs Sereland Argentina SA, an Argentinean company	100.00%
Jacobs Engineering SARL, a French company	100.00%
Jacobs Serete SA a DCS, a French company	100.00%
Jacobs Serete Italia SPA, an Italian company	100.00%
Jacobs Construction Management (Malaysia) Sdn. Bhd., a Malaysian company	100.00%
Jacobs Engineering Singapore Pte. Ltd., a Singapore company	100.00%
Jacobs Pan American Corp., a Virgin Islands company	100.00%
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%
Jacobs Facilities, Inc., a Missouri Corporation	100.00%
GPR Planners Collaborative, Inc., a Missouri corporation	100.00%
Sverdrup Building Corporation, a Missouri corporation	100.00%

SP Operations and Management Services Company, a Missouri corporation	100.00%
Sverdrup Technology, Inc., a Tennessee Corporation	100.00%
Sverdrup Technology Australia, Pty Ltd, an Australian company	100.00%
Sverdrup Civil, Inc., a Missouri Corporation	100.00%
Sverdrup & Parcel Consultants, Inc., a New York Corporation	100.00%
Sverdrup of Puerto Rico, PSC, a Puerto Rican corporation	100.00%
Sverdrup Canada, ULC, a Nova Scotian corporation	100.00%
Jacobs Sverdrup Constructors, Inc., a Delaware Corporation	100.00%
Sverdrup Investments, Inc., a Delaware Corporation	100.00%
Riverport Development, Inc., a Missouri 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 Engineering Chile, S.A., a Chilean corporation	100.00%
Rocky Flats Closure Site Services LLC, a Delaware company	100.00%

* Ownership is divided between JEI and JEL.

All subsidiaries and affiliates 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 3, 1999 included in Appendix A to the Company's 2000 Annual Notice and Proxy Statement.

We also consent to the incorporation by reference in both the Registration Statement (Form S-8 No. 333-45475) pertaining to the Jacobs Engineering Group Inc. 1981 Executive Incentive Plan and in the Registration Statement (Form S-8 No. 333-72977) pertaining to the Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan of our report dated November 3, 1999 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, 1999.

ERNST & YOUNG LLP

Los Angeles, California

December 17, 1999

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	SEP 30 1999
PERIOD END	SEP 30 1999
CASH	53,482
SECURITIES	0
RECEIVABLES	586,005
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	729,620
PP&E	255,590
DEPRECIATION	115,937
TOTAL ASSETS	1,220,186
CURRENT LIABILITIES	584,982
BONDS	135,371
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	26,143
OTHER SE	422,574
TOTAL LIABILITY AND EQUITY	1,220,186
SALES	0
TOTAL REVENUES	2,875,007
CGS	0
TOTAL COSTS	2,477,678
OTHER EXPENSES	284,040
LOSS PROVISION	0
INTEREST EXPENSE	8,767
INCOME PRETAX	104,522
INCOME TAX	39,077
INCOME CONTINUING	65,445
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	65,445
EPS BASIC	2.54
EPS DILUTED	2.47

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