JACOBS ENGINEERING GROUP INC /DE/
Form 10-K
November 21, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO

SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 29, 2017 Commission File No. 1-7463

Jacobs Engineering Group Inc.

Delaware State of incorporation	95-4081636 IRS Employer identification number
1999 Bryan Street, Suite 1200 Dallas, Texas 75201 Address of principal executive offices	(214) 583-8500 Telephone number (including area code)

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check-mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

Indicate by check-mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check-mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check-mark whether the Registrant: has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes - No

Indicate by check-mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 this Form 10-K or any amendment to this Form 10-K.

Indicate by check-mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check-mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes No

There were 120,466,122 shares of common stock outstanding as of November 10, 2017. The aggregate market value of the Registrant's common equity held by non-affiliates was approximately $6.7 billion as of March 31, 2017, based upon the last reported sales price on the New York Stock Exchange on that date.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement to be issued in connection with its 2018 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

JACOBS ENGINEERING GROUP INC.

Fiscal 2017 Annual Report on Form 10-K

Table of Contents

PART I

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not directly relate to any historical or current fact. When used herein, words such as "expects," "anticipates," "believes," "seeks," "estimates," "plans," "intends," “future,” “will,” “would,” “could,” “can,” “may,” and similar words are intended to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although such statements are based on management’s current estimates and expectations and/or currently available competitive, financial, and economic data, forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause our actual results to differ materially from what may be inferred from the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those listed and discussed in Item 1A— Risk Factors below. We undertake no obligation to release publicly any revisions or updates to any forward-looking statements. We encourage you to read carefully the risk factors described herein and in other documents we file from time to time with the United States Securities and Exchange Commission (the "SEC").

Unless the context otherwise requires, all references herein to "Jacobs" or the "Registrant" are to Jacobs Engineering Group Inc. and its predecessors, and references to the "Company", "we", "us" or "our" are to Jacobs Engineering Group Inc. and its consolidated subsidiaries.

Item 1. BUSINESS

General Background Information

We are one of the largest technical professional services firms in the world. We provide a diverse range of technical, professional, and construction services to a large number of industrial, commercial, and governmental clients.

We focus our services on clients operating in the following sectors:

- Oil and gas exploration, production, and refining;
- Chemicals and polymers;
- Programs for various national governments, including aerospace, defense, and environmental programs;
- Buildings (including specialized buildings for clients operating in the fields of healthcare, education, and high technology; governmental complexes; other specialized civic and mission critical buildings, installations, and laboratories; and retail and commercial buildings);
- Infrastructure and telecommunications;
- Mining and minerals;
- Pharmaceuticals and biotechnology;
- Power;
- Pulp and paper;
- Technology and manufacturing; and,
- Food and consumer products, among others.

Jacobs was founded in 1947 and incorporated as a Delaware corporation in 1987. We are headquartered in Dallas, Texas, USA, and provide our services through more than 200 offices located around the globe in North America, South America, Europe, the Middle East, India, Australia, Africa, and Asia.

How We Operate

As a broad-based technical professional services firm, we offer a range of services to help our clients maintain a competitive edge in their respective markets. From consulting and feasibility studies to design, to engineering, to construction, to start-up and commissioning, and then to operations and maintenance, we customize our services to meet business and project goals. Our global network of professionals works with a multi-office approach in an effort to provide clients with the best, most economical project or program solutions.

We strive to provide client value through continuous improvement in our performance. We regularly monitor our clients' expectations, our project delivery protocols and system, and our operational performance. Tools such as our Jacobs Value Enhancing Practices, Global Standard Operating Procedures, project reviews, the Jacobs System to Ensure Project Success ("JSTEPS") and Safe Plans of Action ("SPAs") provide added value to our clients' projects. They also allow us to create performance improvement actions during the project execution. Through continuous improvement, with our tools and our processes, we believe we can offer our clients superior value when they do business with us.

JacobsValue+ $_{SM}$ ("Value Plus") is an internal tool we use to document and quantify the actual value or savings we provide to our clients and their projects. Some of the benefits achieved through the Value Plus program include lower total installed costs, shorter schedules, and reduced life cycle costs. Value Plus is implemented at project initiation: a project goal is created, and cost-saving ideas are entered into the Value Plus database. When the Value Plus cycle is complete, the project team and client identify and agree on the unique cost and/or schedule reductions for the project.

The Company’s Strategy

Our strategy is based on three key priorities:

- Build a High Performance Culture – Reinforce a culture of accountability, inspirational leadership and innovation that will drive long-term outperformance;
- Transform the Core – Fundamentally change the way we operate to improve project delivery, sales effectiveness and business excellence; and
- Grow Profitably – Execute a balanced strategy focused on organic growth, M&A and active portfolio management to drive profitable growth in the most attractive sectors and geographies.

Employees and Safety

Our employees are our most important and valuable asset and, therefore, the prevention of job-related injuries is given top priority. It is the policy of the Company to provide and maintain a safe and healthy working environment and to follow operating practices that safeguard all employees and result in a more efficient operation. BeyondZero®, the name of our program that promotes our culture of caring, moves beyond efforts to have an incident and injury-free safety performance. We implement a culture of caring where concern for employees' health, safety, and welfare extends outside the office walls, beyond the project site fences and into their homes, cars, and all the places where they interact with family, friends, and fellow employees. We have commenced a mental health program which aims to promote positive mental health across our Company.

Since Jacobs’ founding, the Company has been based on doing business honestly, ethically, and with the utmost integrity. Our culture, and our Code of Conduct which all employees are required to sign annually, prescribe that everyone at the Company must adhere to Jacobs’ values and ethical code, and comply with the laws that govern the Company’s activities worldwide. Our employees and business partners are expected to follow the highest principles of business conduct, integrity, and ethics as they carry out their responsibilities, and are guided by the following principles in carrying out their responsibilities: loyalty, compliance with applicable laws, observance of ethical standards, avoidance of conflicts of interest, and communication. We endeavor to deal fairly with our employees, customers, suppliers, and competitors, and to respect the policies and procedures of those outside the Company.

We strive to present a clear and consistent image of our Company to our clients, employees, shareholders, and business partners, regarding how we behave, how we communicate, how we look, and most importantly, how our promises to our clients are delivered, anywhere in the world.

We accomplish this foremost through our vision, mission and values, which allow us to behave as one company and unify us worldwide. By keeping our values as a central focus of our Company, we are able to think the same way and arrive at similar conclusions, regardless of our physical location. With respect to our values:

- Our values stand on a foundation of safety and integrity;
- People are the heart of our business;
- Clients are our valued partners;
- Performance excellence is our commitment; and
- Profitable growth is an imperative.

Our Vision statement “solutions for a more connected sustainable world” underpins our commitment to sustainability. Plan Beyond is how we define and identify with our approach to sustainability. Building on BeyondZero and our culture of caring, Plan Beyond helps us to focus on looking beyond our company and how we contribute as a global corporate citizen. Our sustainability activities encompass Jacobs stakeholders at Jacobs including our clients, our people and wider communities, our supply chain partners and our investors.

Through planning beyond compliance our people are empowered to explore, to innovate, and to develop solutions that help our clients deliver their sustainable goals. We have the experience and competency to assist our clients with the challenges of climate change, resilience of cities and infrastructure, efficient and sustainable procurement, resource reuse and recycling, water resource management, energy source management and environmental protection and enhancement.

As our company values espouse, people are the heart of our business. It is the talent of our people that is the key to our contribution to achieving our company vision. By their innovation and determination to embed sustainability into their design and delivery of service, we will contribute significantly to address the challenges facing sustainability through the thousands of clients, and their stakeholders, whom we work with every year.

Applying the best, most efficient and effective sustainable solutions for clients worldwide, in all major industries in which our clients operate, allows us to make a significant contribution to a safe and sustainable future. Each year we issue a Sustainability Report that describes many of our efforts and accomplishments regarding sustainability.

With respect to human resources, our goal is to establish an inclusive, diverse workplace that energizes the people who fuel our Company's growth. Although we are a large company with over 54,700 employees in over 25 countries, our employees are unified in their focus on superior value, safety, and ethical business practices regardless of the country in which they work, and employees frequently move around the globe as they grow their careers.

How We Grow

Jacobs has grown significantly since its founding in 1947. Both organic growth and strategic acquisitions play an important part of the Company’s growth strategy. We have acquired and integrated numerous companies over the years that have enhanced our capabilities, geographic reach, and offerings.

In terms of organic growth, our relationship-based business model is central to our sustained growth and profitability. We pursue the development of long-term relationships and alliances with our clients. By working with our clients to solve their challenges, we increase our understanding of their overall business needs, as well as the unique technical requirements of their specific projects. This increased understanding enables us to provide superior value to our clients. Our approach provides us with opportunities to market the following services to our clients:

- consulting;
- system enhancements;
- pre-design phases of large projects, which include master planning, project permitting, and project finance options;
- design phase; and

- construction, post-start-up and commissioning phases of a facility, including operations and maintenance services.

Our relationships with clients also present ongoing opportunities to expand into adjacent markets. For example, clients operating in the mining and minerals market often have a need for our infrastructure and buildings capabilities. The same is true for clients operating in other markets.

We market our services to clients in a wide range of public, institutional, process, and industrial markets. We increase our opportunities through focused market diversity, and are able to price contracts competitively and enhance overall profitability while delivering additional value to our clients by integrating and bundling our services. In complex economic times, we believe we have the ability to evolve along with market cycles worldwide. When opportunities decrease in a particular market or geography, other opportunities often increase. Because of our focused market diversity, we believe we are well positioned to address a wide range of opportunities across many markets and geographies, which helps us grow our business.

The Role of Acquisitions and Strategic Investments in the Development of Our Business

When we review acquisition targets, we are conscious of the effect the acquisition may have on our client base. We favor acquisitions that are aligned with our growth strategy, which target enhancements of our capabilities and add value to our customers and shareholders. We do this by (i) expanding into a new client market; (ii) enhancing the range of services we provide existing clients; and/or (iii) accessing new geographic areas in which our clients either already operate or plan to expand. By expanding into new geographic areas and adding to our existing technical and project management capabilities, we strive to position ourselves as a preferred, single-source provider of technical, professional, and construction services to our clients.

On August 1, 2017, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with CH2M HILL Companies, Ltd. (“CH2M”), and Basketball Merger Sub Inc., a direct wholly-owned subsidiary of the Company (“Merger Sub”). Pursuant to and subject to the terms and conditions of the Merger Agreement, (i) Merger Sub will merge with and into CH2M, with CH2M continuing as the surviving corporation and becoming a wholly-owned subsidiary of the Company (the “Merger”) and (ii) each outstanding share of common stock of CH2M will be converted into the right to receive, at the election of the holder thereof in accordance with, and subject to, the terms, conditions and procedures set forth in the Merger Agreement, in each case without interest the following consideration: (a) the combination of (x) $52.85 in cash and (y) 0.6677 shares of common stock, par value $1.00 per share, of the Company; (b) $88.08 in cash; or (c) 1.6693 shares of the Company’s common stock.

The Merger is subject to the satisfaction of customary closing conditions, including regulatory approvals and approval by CH2M stockholders.

Also, see the following brief description of some of our recent key acquisitions (in reverse chronological order):

- On August 31, 2017, we acquired Blue Canopy, LLC headquartered in Reston, Virginia. Blue Canopy provides data analytics, cybersecurity and application development.
- On January 27, 2017, we acquired Aquenta Consulting Pty Ltd. (“Aquenta”) headquartered in Sydney, Australia. Aquenta provides integrated project services.
- On April 12, 2016, we acquired The Van Dyke Technology Group, Inc. (“Van Dyke”) headquartered in Columbia, Maryland. Van Dyke provides advanced cybersecurity services and solutions designed to protect sensitive information within classified networks, with a focus on supporting the U.S. Intelligence Community.
- On December 7, 2015, we acquired J.L. Patterson & Associates (“JLP”) headquartered in Orange, California. JLP is a consulting and professional services engineering firm specializing in rail planning, environmental permitting, design and construction management. It provides services to numerous public transit agencies and is a major provider of professional consulting services to Class 1 railroads across the U.S.
- On March 31, 2015, we acquired Suzhou Hans Chemical Engineering Co. ("SHCE") headquartered in China. SHCE has two specialty Class A design licenses in China’s Chemical, Petrochemical and Pharmaceutical industries, which allow the firm to provide engineering design for chemical projects in China and project management services for

various projects in China.

For additional information regarding certain issues related to our acquisition strategy, please refer to Item 1A— Risk Factors below.

Lines of Business

During the second quarter of fiscal 2016, we reorganized our operations around four global lines of business, or “LOBs”. This reorganization was intended to better serve our global clients, leverage our workforce, help streamline operations, and provide enhanced growth opportunities. Our four global lines of business are: Aerospace & Technology, Buildings & Infrastructure, Industrial and Petroleum & Chemicals. Each LOB has a president that reports directly to the Company's Chairman & CEO. As part of the reorganization, certain support functions (i.e. Sales), which were managed centrally for many years, have been embedded in the lines of business and report to the respective line of business presidents. The costs of other support functions (e.g., accounting, legal, information technology and other) and certain other activities (e.g., global insurance) are assigned or allocated to each new LOB using a rationale method of assignment/allocation, or remain an element of corporate general and administrative expenses. In connection with the reorganization, the Company significantly modified its cash incentive plan utilizing performance metrics aligned along the new lines of business.

Services

Our services fall into four broad categories: Project Services; Process, Scientific and Systems Consulting Services; Construction Services; and Operations and Maintenance Services.

Project Services

We employ the engineering, architecture, interiors, design, planning, and related disciplines necessary to design and engineer modern process plants, buildings, infrastructure projects, technology and manufacturing facilities, consumer products manufacturing facilities, power plants and stations, pulp and paper plants, and other facilities.

We are capable of providing our clients with a variety of value engineering services, including "safety in design". Through safety in design we integrate best practices, hazard analysis, and risk assessment methods early in the design phase of projects, with the goal of eliminating or mitigating injury and damage during the construction, start-up, testing and commissioning, and operations phases of a project.

In the area of construction management, we provide our clients with a wide range of services as an agent for our clients. We may act as program director, whereby we oversee, on the owner's behalf, the complete planning, design, and construction phases of the project. Alternatively, our services may be limited to providing construction consulting.

Project Services also includes planning, scheduling, procurement, estimating, cost engineering, project accounting, project delivery (quality), safety, and all other key support services needed for complete cradle-to-grave project delivery.

Process, Scientific and Systems Consulting Services

We employ the professional and technical skills and expertise with respect to 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 bio containment strategies; developing and performing process protocols with respect to the U.S. Food and Drug Administration-mandated qualification and validation requirements; and performing geological and metallurgical studies.

Also included in this service category are revenues relating to defense and aerospace-related programs. Such services typically are more technical and scientific in nature than other project services we provide, and may involve tasks such as supporting the development and testing of conventional weapons systems; weapons modeling and simulations;

computer systems development, maintenance, and support; evaluation and testing of mission-critical control systems; aerospace, testing, and propulsion systems and facilities; cyber security and IT services; and other highly technical or scientific tasks.

Construction Services

In addition to the construction management services included under Project Services above, we provide traditional field Construction Services to private and public sector clients. We also provide modular construction consulting services. In the area of environmental remediation and restoration, we also provide environmental remedial construction services for a variety of public and private sector clients.

Historically, our field construction activities have been focused primarily on those construction projects for which we perform much of the related engineering and design work. By focusing our construction efforts in this way, we attempt to minimize the risks associated with constructing complex projects based on designs prepared by third parties. The financial risk to us of constructing complex assets based on designs prepared by third parties may be particularly significant on fixed-price contracts, though we ensure appropriate controls are in place to manage risk. However, we will pursue construction-only projects when we can negotiate pricing and other contract terms we deem acceptable and which we believe can result in a fair return for the degree of risk we assume.

Operations and Maintenance Services

Operations and Maintenance ("O&M") refers to all of the tasks required to operate and maintain large, complex facilities on behalf of clients. We provide key management and support services over all aspects of the operations of a facility, including managing subcontractors and other on-site personnel. O&M also includes process plant maintenance services, which generally involves all tasks required to keep a process plant (typically a refinery or chemical plant) in day-to-day operation.

Within the aerospace and defense areas, O&M often requires us to provide the management and technical support services necessary to operate and maintain such sites as engine test facilities, weapons integration facilities, and high-tech simulation and verification centers. Such O&M contracts also frequently require us to provide facilities management and maintenance services, utilities operations and maintenance services, property management and disposition services, and construction support services.

Within the environmental area, O&M often includes engineering and technical support services as well as program management services necessary to remediate contaminated sites.

Although the gross profit margins we realize from O&M services are generally lower than those associated with the other services we provide, the costs to support maintenance activities are also generally lower. In addition, O&M services offer us an opportunity to build and maintain long-term relationships with clients. This aspect of O&M services greatly reduces the selling costs in respect of such services.

The following table sets forth our revenues from each of our four service categories for the years ended September 29, 2017, September 30, 2016 and October 2, 2015 (in thousands):

	September 29, 2017	September 30, 2016	October 2, 2015
Project Services	$4,805,863	$5,738,840	$6,307,015
Process, Scientific and Systems Consulting Services	805,144	852,329	1,188,418
Construction Services	3,374,261	3,258,890	3,291,823
Operations and Maintenance Services	1,037,520	1,114,098	1,327,576
Total	$10,022,788	$10,964,157	$12,114,832

Segments

As discussed above, the services we provide fall into the following four lines of business ("LOB"): Aerospace & Technology, Buildings & Infrastructure, Industrial, and Petroleum & Chemicals, which are also the Company's reportable segments.

For additional information regarding our segments, including information about our financial results by segment and financial results by geography, see Note 15 — Segment Information of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

Aerospace & Technology – We provide an in-depth range of scientific, engineering, construction, nuclear and technical support services to the aerospace, defense, technical and automotive industries in several countries. Long-term clients include the Ministry of Defence in the U.K., the UK Nuclear Decommissioning Authority, NASA, the U.S. Department of Defense (“DoD”), the U.S. Special Operations Command, the U.S. Intelligence community, and the Australian Department of Defence. Specific to NASA, one of our major government customers in the U.S., is our ability to design, build, operate, and maintain highly complex facilities relating to space systems, including test and evaluation facilities, launch facilities, and support infrastructure. We provide environmental characterization and restoration services to commercial and government customers both in the US and UK. This includes designing, building and operating high hazard remediation systems including for radiologically contaminated media.

In addition, we design and build aerodynamic, climatic, altitude and acoustic facilities in support of the automotive industry, and are a provider of a wide range of services in the telecommunications market.

Our experience in the defense sector includes military systems acquisition management and strategic planning; operations and maintenance of test facilities and ranges; test and evaluation services in computer, laboratory, facility, and range environments; test facility computer systems instrumentation and diagnostics; and test facility design and build. We also provide systems engineering and integration of complex weapons and space systems, as well as hardware and software design of complex flight and ground systems.

We have provided advanced technology engineering services to the DoD for more than 50 years, and currently support major defense programs in the U.S. and internationally. We operate and maintain several DoD test centers and provide services and assist in the acquisition and development of systems and equipment for Special Operations Forces, as well as the development of biological, chemical, and nuclear detection and protection systems.

We maintain enterprise information systems for government and commercial clients worldwide, ranging from the operation of complex computational networks to the development and validation of specific software applications. We also support the DoD and the intelligence community in a number of information technology programs, including network design, integration, and support; command and control technology; development and maintenance of databases and customized applications; and cyber security solutions.

Buildings & Infrastructure – We provide services to transit, aviation, built environment, mission critical, rail, and civil construction projects throughout North America, Europe, India, the Middle East, Australia, and Asia. Our representative clients include national government departments/agencies in the U.S., U.K., Australia, and Asia, state and local departments of transportation within the U.S., and private industry freight transport firms.

Typical projects include providing development/rehabilitation plans for highways, bridges, transit, tunnels, airports, railroads, intermodal facilities, and maritime or port projects. Our interdisciplinary teams can work independently or as an extension of the client's staff. We have experience with alternative financing methods, which have been used in Europe through the privatization of public infrastructure systems.

Our water infrastructure group aids emerging economies, which are investing heavily in water and wastewater systems, and governments in North America and Europe, which are addressing the challenges of drought and an aging infrastructure system. We develop or rehabilitate critical water resource systems, water/wastewater conveyance systems, and flood defense projects.

We also plan, design, and construct buildings for a variety of clients and markets. We believe our global presence and understanding of contracting and delivery demands keep us well positioned to provide professional services worldwide. Our diversified client base encompasses both public and private sectors and relates primarily to institutional, commercial, government and corporate buildings, including projects at many of the world's leading medical and research centers, and universities. We focus our efforts and resources in two areas: where capital-spending initiatives drive demand, and where changes and advances in technology require innovative, value-adding solutions. We also provide integrated facility management services (sometimes through joint ventures with third parties) for which we assume responsibility for the ongoing operation and maintenance of entire commercial or industrial complexes on behalf of clients.

We have specific capabilities in energy and power, master planning, and commissioning of office headquarters, aviation facilities, mission-critical facilities, municipal and civic buildings, courts and correctional facilities, mixed-use and commercial centers, healthcare and education campuses, and recreational complexes. For advanced technology clients, who require highly specialized buildings in the fields of medical research, nano science, biotechnology, and laser sciences, we offer total integrated design and construction management solutions. We also have global capabilities in the pharma-bio, data center, government intelligence, corporate headquarters/interiors, and science and technology-based education markets. Our government building projects include large, multi-year programs in the U.S. and Europe supporting various U.S. and U.K. government agencies.

We added specialist integrated project services capability through the Aquenta acquisition in Australia in early 2017. These skills include cost management & analysis, project planning & controls, contract & commercial advisory services, and project management services. These services are provided across the breadth of Jacobs client sectors with the potential to further expand to other geographies.

Industrial – We provide engineering, procurement, project management, construction, and on-site maintenance to our global clients in the Life Sciences, Mining & Minerals, Specialty Chemicals & Manufacturing and Field Services markets. We provide our Life Sciences clients single-point consulting, engineering, procurement, construction management, and validation project delivery, enabling us to execute large capital programs on a single-responsibility basis. Typical projects in the life sciences sector include laboratories, research and development facilities, pilot plants, bulk active pharmaceutical ingredient production facilities, full-scale biotechnology production facilities, and tertiary manufacturing facilities.

We provide services relating to modular construction, as well as other consulting and strategic planning to help our clients complete capital projects faster and more efficiently.

In addition, we offer services in containment, barrier technology, locally controlled environments, building systems automation, and off-the-site design and fabrication of facility modules, as well as vaccine production and purification, and aseptic processing.

Our mining and minerals business targets the non-ferrous and ferrous metal markets, precious metals, energy minerals (uranium, coal, oil sands), and industrial and fertilizer minerals (borates, trona, phosphates and potash). We work with many resource companies undertaking new and existing facility upgrades, process plant and underground and surface material handling and infrastructure developments.

We offer project management, front-end studies, full engineering, procurement and construction management (“EPCM”) and engineering, procurement and construction (“EPC”) capabilities, and completions, commissioning and start-up services specializing in new plant construction, brownfield expansions, and sustaining capital and maintenance projects. We are also able to deliver value to our mining clients by providing distinctive adjacent large infrastructure capabilities to support their mining operations.

We provide a wide range of specialty chemicals & manufacturing services and products to our global client base. Our specialty chemicals areas are focused on sulfuric acids, synthetic chemicals, and manufactured equipment. Our manufacturing business areas include the Food & Beverage, Consumer Products, and Pulp & Paper markets.

Our global Field Services unit supports construction and O&M across the company, and performs our direct hire services.

Our construction activities include both construction management services and traditional field construction services to our clients. Historically, our field construction activities focused primarily on those construction projects where we perform much of the related engineering and design work. However, we pursue construction-only projects when we can negotiate pricing and other contract terms we deem acceptable and which we believe can result in a fair return for the degree of risk we assume.

In our O&M business, we perform tasks required to operate and maintain large, complex facilities on behalf of clients. We provide key management and support services over all aspects of the operations of a facility, including managing subcontractors and other on-site personnel. O&M also includes process plant maintenance services, which generally involves all tasks required to keep a process plant (typically a refinery or chemical plant) in day-to-day operation.

Petroleum & Chemicals – We provide integrated delivery of complex projects for our Oil and Gas, Refining, and Petrochemical sector clients. Bridging the upstream, midstream and downstream industries, our end to end services encompass consulting, engineering, design, procurement, construction, commissioning, start-up and maintenance, and project management.

We provide services relating to both onshore and offshore oil and gas production facilities, including stationary and floating platforms and subsea tie-backs, as well as full field development solutions, including processing facilities, gathering systems, transmission pipelines, storage and terminals. Our heavy oil processing experience makes us a leader in upgrading, steam-assisted gravity drainage and in-situ oil sands projects. We have developed and delivered modular well pad and central processing facility designs. We also provide fit-for-purpose and standardized designs in the onshore conventional and unconventional oil & gas sector, paying particular attention to water and environmental issues.

In addition, we provide our refining customers with feasibility/economic studies, technology evaluation and conceptual engineering, front end engineering & design, detailed engineering, procurement, construction, commissioning, start-up and maintenance services. We deliver installed EPC solutions to grass root plants, and offer expansions and revamps of existing units. Our focus is on both the inside the battery limit processing units as well as utilities and offsites infrastructure. We have engineering alliances and onsite maintenance programs that span decades with core clients. With the objective of driving our clients' total installed costs down, we endeavor to leverage emerging market sourcing and high value engineering centers (HVEC). Our Comprimo Sulfur Solutions® is a significant patented technology for gas treatment and sulfur recovery plants around the world.

We also provide services to technically complex petrochemical facilities; from new manufacturing complexes, to expansions and modifications, and the overall management of plant relocations. We have experience with many licensed chemical processing technologies, integrated basic petrochemicals, commodity and specialty chemicals projects, and olefins, aromatics, synthesis gas and their respective derivatives.

Backlog

Backlog represents the total dollar amount of revenues we expect to record in the future as a result of performing work under contracts that have been awarded to us. With respect to O&M contracts, however, we include in backlog the amount of revenues we expect to receive for only one succeeding year, regardless of the remaining life of the contract. For national government programs (other than U.S. federal O&M contracts), our policy is to include in backlog the full contract award, whether funded or unfunded, excluding option periods. In accordance with industry practice, substantially all of our contracts are subject to cancellation, termination, or suspension at the discretion of the client. In addition, the contracts in our backlog are subject to changes in the scope of services to be provided as well as adjustments to the costs relating to the contracts. Accordingly, backlog is not necessarily indicative of our future revenues or earnings.

Our backlog includes expected revenues for contracts that are based on estimates. The following table summarizes our backlog for the years ended September 29, 2017, September 30, 2016 and October 2, 2015 (in thousands):

Backlog:	September 29, 2017	September 30, 2016	October 2, 2015
Aerospace & Technology	$6,231,426	$5,109,973	$4,880,775
Buildings & Infrastructure	5,412,377	5,033,539	4,723,034
Industrial	2,836,854	3,106,575	3,650,520
Petroleum & Chemicals	5,307,956	5,510,442	5,552,241
Total	$19,788,613	$18,760,529	$18,806,570

For additional information regarding our backlog including those risk factors specific to backlog, please refer to Item 1A — Risk Factors, and Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations below. Subject to the factors discussed in Item 1A— Risk Factors below, we estimate that approximately $7 billion, or 35%, of total backlog at September 29, 2017 will be realized as revenues within the next fiscal year.

Significant Customers

The following table sets forth the percentage of total revenues earned directly or indirectly from agencies of the U.S. federal government for each of the last five fiscal years:

2017	2016	2015	2014	2013
19.2%	21.4%	21.7%	17.8%	19.9%

Given the percentage of total revenue derived directly from the U.S. federal government, the loss of U.S. federal government agencies as customers would have a material adverse effect on the Company. In addition, any or all of our government contracts could be terminated, we could be suspended or debarred from all government contract work, or payment of our costs could be disallowed. Approximately 88% of revenue derived directly from the U.S. federal government is in the Aerospace & Technology segment. For more information on risks relating to our government contracts, see Item 1A - Risk Factors.

Financial Information About Geographic Areas

Selected financial information regarding the geographic areas in which we operate is included in Note 15 — Segment Information of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K and is incorporated herein by reference. For fiscal 2017, approximately 42% of our revenues were earned from clients outside the United States. Our international operations are subject to a variety of risks, which are described under Item 1A - Risk Factors below.

Contracts

While there is considerable variation in the pricing provisions of the contracts we undertake, our contracts generally fall into two broad categories: cost-reimbursable and fixed-price. The following table sets forth the percentages of total revenues represented by these types of contracts for each of the last five fiscal years:

	2017	2016	2015	2014	2013
Cost-reimbursable	81 %	82 %	83 %	83 %	85 %
Fixed-price	19 %	18 %	17 %	17 %	15 %

In accordance with industry practice, most of our contracts (including those with the U.S. federal government) are subject to termination at the discretion of the client, which is discussed in greater detail in Item 1A — Risk Factors. In such situations, our contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of termination.

When we are directly responsible for engineering, design, procurement, and construction of a project or the maintenance of a client's plant or facility, we reflect the costs of materials, equipment, and subcontracts in both revenues and costs. On other projects, where the client elects to pay for such items directly and we have no associated responsibility for such items, these amounts are not reflected in either revenues or costs. The following table sets forth the approximate amount of such pass-through costs included in revenues for each of the last five fiscal years (in millions of dollars):

2017	2016	2015	2014	2013
$2,539.3	$2,489.9	$2,602.6	$2,954.9	$2,624.8

Cost-Reimbursable Contracts

Cost-reimbursable contracts generally provide for reimbursement of costs incurred plus an amount of profit. The profit element may be in the form of a simple mark-up applied to the labor costs incurred or it may be in the form of a fee, or a combination of a mark-up and a fee. The fee element can also take several forms. The fee may be a fixed amount; it may be an amount based on a percentage of the costs incurred; or it may be an incentive fee based on targets, milestones, or performance factors defined in the contract. In general, we prefer cost-reimbursable contracts because we believe the primary reason for awarding a contract to us should be our technical expertise and professional qualifications rather than price.

Fixed-Price Contracts

Fixed-price contracts include both “lump sum bid” contracts and “negotiated fixed-price” contracts. Under lump sum bid contracts, we typically bid against other contractors based on specifications the client furnishes. This type of pricing presents certain inherent risks, including the possibility of ambiguities in the specifications received, problems with new technologies, and economic and other changes that may occur over the contract period. Additionally, it is not unusual for lump sum bid contracts to lead to an adversarial relationship with clients, which is contrary to our relationship-based business model. Accordingly, lump sum bid contracts are not our preferred form of contract, and, as such, the Company has rarely entered into individual lump sum bid contracts that are material to its financial results. In contrast, under a negotiated fixed-price contract, we are selected as the contractor first and then we negotiate a price with our client. Negotiated fixed-price contracts frequently exist in single-responsibility arrangements where we perform some portion of the work before negotiating the total price of the project. 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 us. 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 other types of contracts. The Company carefully manages the risk inherent in these types of contracts. Over the past five years, most of our fixed-price work has been either negotiated fixed-price contracts or lump sum bid contracts for project services, rather than turnkey construction.

Competition

With respect to each of the four broad categories of services we provide, we compete with a large number of companies across the world. Typically, no single company or companies dominate the market in which we provide any such services. We compete based on the following factors, among others: price of services, technical capabilities, reputation for quality, safety record, availability of qualified personnel, ability to timely perform work, and willingness to accept project-related risk. For more information regarding the competitive conditions in our business, please refer to Item 1A— Risk Factors below.

Employees

At September 29, 2017, we had approximately 44,800 full-time, staff employees (including contract staff). Additionally, as of September 29, 2017, there were approximately 9,900 persons employed in the field on a project basis. The number of 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 Registrant

The information required by Paragraph (a), and Paragraphs (c) through (g) of Item 401 of Regulation S-K (except for information required by Paragraph (e) of that Item to the extent the required information pertains to our executive officers) and Item 405 of Regulation S-K is set forth under the captions “Members of the Board of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year and is incorporated herein by reference.

The following table presents the information required by Paragraph (b) of Item 401 of Regulation S-K.

Name	Age	Position with the Company	Year Joined the Registrant
Steven J. Demetriou	59	Chairman and Chief Executive Officer	2015
Kevin C. Berryman	58	Executive Vice President and Chief Financial Officer	2014
Terence D. Hagen	53	President, Aerospace & Technology	1987
Joseph G. Mandel (1)	57	Executive Vice President, Integration Management Office	2011
Robert V. Pragada	49	President, Buildings & Infrastructure	2016
William B. Allen	53	Senior Vice President and Chief Accounting Officer	2016
Michael R. Tyler	61	Senior Vice President and General Counsel	2013

(1) Mr. Mandel was appointed as Executive Vice President, Integration Management Office on August 2, 2017. Previously, he served as President, Petroleum & Chemicals.

All of the officers listed in the preceding table serve in their respective capacities at the pleasure of the Board of Directors of the Company. Mr. Hagen has served in executive and senior management capacities with the Company for more than five years. Below is additional information on the other executive officers.

Mr. Demetriou joined the Company in August 2015. Mr. Demetriou served as Chairman and CEO of Aleris Corporation for 14 years, a global downstream aluminum producer based in Cleveland, Ohio. Over the course of his career, he has gained broad experience with companies in a range of industries including metals, specialty chemicals, oil & gas, manufacturing and fertilizers.

Mr. Berryman joined the Company in December 2014. Mr. Berryman served as EVP and CFO for five years at International Flavors and Fragrances Inc., an S&P 500 company and leading global creator of flavors and fragrances used in a wide variety of consumer products. Prior to that, he spent 25 years at Nestlé in a number of finance roles including treasury, mergers & acquisitions, strategic planning, and control.

Mr. Hagen joined the Company in 1987. Mr. Hagen has worked in a number of the Company's market sectors in both senior operational and sales roles. Prior to becoming President, Aerospace & Technology, he was the Executive Vice President, Global Sales and Marketing.

Mr. Mandel joined the Company in February 2011 through the acquisition of certain operating companies comprising the process and construction business of Aker Solutions ASA, a global provider of products, systems and services to the oil and gas industry. Mr. Mandel served in various senior management roles with Aker Solutions ASA since first joining them in 1995.

Mr. Pragada rejoined the Company in February 2016 after serving as President and Chief Executive Officer of The Brock Group since August 2014. From March 2006 to August 2014 Mr. Pragada served in executive and senior management capacities with the Company.

Mr. Allen joined the Company in October 2016. Mr. Allen served as Vice President, Finance and Principal Accounting Officer at Lyondellbasell Industries, N.V. from 2013 to 2016. Prior to that, he was with Albemarle Corporation, where he served as Vice President, Corporate Controller and Chief Accounting Officer from 2009 to 2013 after serving in CFO roles for their Catalysts and Fine Chemistry businesses from 2005 to 2009.

Mr. Tyler joined the Company in June 2013. He previously served as Executive Vice President, General Counsel and Secretary of Sanmina Corporation, a global electronics manufacturing services provider from April 2007 to June 2013, and Chief Legal and Administrative Officer of Gateway, Inc., a computer hardware company, from January 2004 to April 2007.

Available Information

You may read and copy any materials we file with the SEC at the SEC's Public Reference Room located at 100 F Street N.E., Washington, D.C. 20549. In order to obtain information about the operation of the Public Reference Room, a person may call the SEC at 1-800-732-0330. The SEC also maintains a site on the Internet that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's website is http://www.sec.gov. You may also read and download the various reports we file with, or furnish to, the SEC free of charge from our website at www.jacobs.com.

Item 1A. RISK FACTORS

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our business, financial condition, and results of operations. The risks described below highlight some of the factors that have affected and could affect us in the future. We may also be affected by unknown risks or risks that we currently think are immaterial. If any such events actually occur, our business, financial condition, and results of operations could be materially adversely affected.

Construction and maintenance sites are inherently dangerous workplaces. If we, the owner, or others working at the project site fail to maintain safe work sites, we can be exposed to significant financial losses and reputational harm, as well as civil and criminal liabilities.

Construction and maintenance sites often put our employees and others in close proximity with large pieces of mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials, in a challenging environment, and often in geographically remote locations. If we fail to implement such procedures or if the procedures we implement are ineffective, or if others working at the site fail to implement and follow appropriate safety procedures, our employees and others may become injured, disabled or even lose their lives, the completion or commencement of our projects may be delayed, and we may be exposed to litigation or investigations. Unsafe work sites also have the potential to increase employee turnover, increase the cost of a project to our clients, and raise our operating and insurance costs. Any of the foregoing could result in financial losses or reputational harm, which could have a material adverse impact on our business, financial condition, and results of operations.

In addition, our projects can involve the handling of hazardous and other highly regulated materials, which, if improperly handled or disposed of, could subject us to civil and/or criminal liabilities. We are also subject to regulations dealing with occupational health and safety. Although we maintain functional groups whose primary purpose is to ensure we implement effective health, safety, and environmental (“HSE”) work procedures throughout our organization, including construction sites and maintenance sites, the failure to comply with such regulations could subject us to liability. In addition, despite the work of our functional groups, we cannot guarantee the safety of our personnel or that there will be no damage to or loss of our work, equipment or supplies.

Our safety record is critical to our reputation. Many of our clients require that we meet certain safety criteria to be eligible to bid for contracts and many contracts provide for automatic termination or forfeiture of some or all of our contract fees or profit in the event we fail to meet certain measures. Accordingly, if we fail to maintain adequate safety standards, we could suffer reduced profitability or the loss of projects or clients, which could have a material adverse impact on our business, financial condition, and results of operations.

Our vulnerability to the cyclical nature of the sectors and industries in which our clients operate is exacerbated during economic downturns and times of political uncertainty.

We provide technical, professional, construction, and O&M services to clients operating in a number of sectors and industries, including oil and gas exploration, production, and refining; programs for various national governments, including the U.S. federal government; chemicals and polymers; mining and minerals; pharmaceuticals and biotechnology; infrastructure; buildings; power; and other general industrial and consumer businesses and markets (such as technology and manufacturing; pulp and paper; and food and consumer products). These sectors and industries and the resulting demand for our services have been, and we expect will continue to be, cyclical and subject to significant fluctuations due to a variety of factors beyond our control, including economic conditions and changes in client spending, particularly during periods of economic or political uncertainty.

Current global economic and political conditions have negatively impacted many of our clients’ ability and willingness to fund their projects, including their ability to raise capital and pay, or timely pay, our invoices. They have also caused our clients to reduce their capital expenditures, alter the mix of services purchased, seek more favorable price and other contract terms, and otherwise slow their spending on our services. For example, in the public sector, declines in state and local tax revenues as well as other economic declines may result in lower state and local government spending. In addition, due to these conditions many of our competitors may be more inclined to take greater or unusual risks or accept terms and conditions in contracts that we might not deem acceptable. These conditions have reduced, and may continue to reduce, the demand for our services, which has had, and may continue to have, a significant negative impact on our business, financial condition and results of operations.

Current economic and political conditions also make it extremely difficult for our clients, our vendors, and us to accurately forecast and plan future business activities. We cannot predict the timing, strength or duration of any economic recovery or downturn worldwide or in our clients' markets. In addition, our business has traditionally lagged recoveries in the general economy and, therefore, may not recover as quickly as the economy at large. A continuation or worsening of current weak economic conditions, a failure to obtain expected benefits from any increased infrastructure spending, or a reduction in government spending could have a material adverse impact on our business, financial condition, and results of operations. Furthermore, if a significant portion of our clients or projects are concentrated in a specific geographic area or industry, our business may be disproportionately affected by negative trends or economic downturns in those specific geographic areas or industries.

Regardless of economic or market conditions, investment decisions by our customers may vary by location or as a result of other factors like the availability of labor or relative construction cost. Because we are dependent on the timing and funding of new awards, we are therefore vulnerable to changes in our clients' markets and investment decisions. As a result, our past results have varied and may continue to vary depending upon the demand for future projects in the markets and the locations in which we operate.

Fluctuations in commodity prices may affect our customers' investment decisions and therefore subject us to risks of cancellation, delays in existing work, or changes in the timing and funding of new awards.

Commodity prices can affect our customers in a number of ways. For example, for those customers that produce commodity products such as oil, gas, copper, or fertilizers, fluctuations in price can have a direct effect on their profitability and cash flow and, therefore, their willingness to continue to invest or make new capital investments. Furthermore, declines in commodity prices can negatively impact our business in regions whose economies are substantially dependent on commodity prices, such as the Middle East. To the extent commodity prices decline or fluctuate and our customers defer new investments or cancel or delay existing projects, the demand for our services decreases, which may have a material adverse impact on our business, financial condition, and results of operations.

Commodity prices can also strongly affect the costs of projects. Rising commodity prices can negatively impact the potential returns on investments that are planned, as well as those in progress, and result in customers deferring new investments or canceling or delaying existing projects. Cancellations and delays have affected our past results and may continue to do so in significant and unpredictable ways and could have a material adverse impact on our business, financial condition, and results of operations.

Our project execution activities may result in liability for faulty services.

If we fail to provide our services in accordance with applicable professional standards or contractual requirements, we could be exposed to significant monetary damages or even criminal violations. Our engineering practice, for example, involves professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and public infrastructure projects. While we do not generally accept liability for consequential damages in our contracts, and although we have adopted a range of insurance, risk management and risk avoidance programs designed to reduce potential liabilities, a catastrophic event at one of our project sites or completed projects resulting from the services we have performed could result in significant professional or product liability, and warranty or other claims against us as well as reputational harm, especially if public safety is impacted. These liabilities could exceed our insurance limits or the fees we generate, may not be covered by insurance at all due to various exclusions in our coverage, and could impact our ability to obtain insurance in the future. Further, even where coverage applies, the policies have deductibles, which result in our assumption of exposure for certain amounts with respect to any claim filed against us. In addition, clients or subcontractors who have agreed to indemnify us against any such liabilities or losses might refuse or be unable to pay us. An uninsured claim, either in part or in whole, as well as any claim covered by insurance but subject to a high deductible, if successful and of a material magnitude, could have a material adverse impact on our business, financial condition and results of operations.

We engage in a highly competitive business. If we are unable to compete effectively, we could lose market share and our business and results of operations could be negatively impacted.

We face intense competition to provide technical, professional, and construction services to clients. The markets we serve are highly competitive and we compete against a large number of regional, national, and multinational companies.

The extent of our competition varies by industry, geographic area, and project type. For example, with respect to our construction, and operations and maintenance services, clients generally award large projects to large contractors, which may give our larger competitors an advantage when bidding for these projects. Conversely, with respect to our engineering, design, architectural, and consulting services, low barriers of entry can result in competition with smaller, newer competitors. The extent and type of competition varies by market and geographic area.

Our projects are frequently awarded through a competitive bidding process, which is standard in our industry. We are constantly competing for project awards based on pricing, schedule and the breadth and technical sophistication of our services. Competition can place downward pressure on our contract prices and profit margins, and may force us to accept contractual terms and conditions that are less favorable to us, thereby increasing the risk that, among other things, we may not realize profit margins at the same rates as we've seen in the past or may become responsible for costs or other liabilities we have not accepted in the past. If we are unable to compete effectively, we may experience a loss of market share or reduced profitability or both, which if significant, could have a material adverse impact on our business, financial condition, and results of operations.

Our results of operations depend on the award of new contracts and the timing of the performance of these contracts.

Our revenues are derived from new contract awards. Delays in the timing of the awards or cancellations of such prospects as a result of economic conditions, material and equipment pricing and availability or other factors could impact our long-term projected results. It is particularly difficult to predict whether or when we will receive large-scale projects as these contracts frequently involve a lengthy and complex bidding and selection process, which is affected by a number of factors, such as market conditions or governmental and environmental approvals. Since a significant portion of our revenues is generated from such projects, our results of operations and cash flows can fluctuate significantly from quarter to quarter depending on the timing of our contract awards and the commencement or progress of work under awarded contracts. Furthermore, many of these contracts are subject to financing contingencies and, as a result, we are subject to the risk that the customer will not be able to secure the necessary financing for the project.

In addition, many of our contracts require us to satisfy specific progress or performance milestones in order to receive payment from the customer. As a result, we may incur significant costs for engineering, materials, components, equipment, labor or subcontractors prior to receipt of payment from a customer.

The uncertainty of our contract award timing can also present difficulties in matching workforce size with contract needs. In some cases, we maintain and bear the cost of a ready workforce that is larger than necessary under existing contracts in anticipation of future workforce needs for expected contract awards. If an expected contract award is delayed or not received, we may incur additional costs resulting from reductions in staff or redundancy of facilities, which could have a material adverse effect on our business, financial condition and results of operations.

The outcome of pending and future claims and litigation could have a material adverse impact on our business, financial condition, and results of operations.

We are a party to claims and litigation in the normal course of business. Since we engage in engineering and construction activities for large facilities and projects where design, construction or systems failures can result in substantial injury or damage to employees or others, we are exposed to substantial claims and litigation and investigations if there is a failure at any such facility or project. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and be brought by our clients or third parties, such as those who use or reside near our clients' projects. We can also be exposed to claims if we agreed that a project will achieve certain performance standards or satisfy certain technical requirements and those standards or requirements are not met. In many of our contracts with clients, subcontractors, and vendors, we agree to retain or assume potential liabilities for damages, penalties, losses, and other exposures relating to projects that could result in claims that greatly exceed the anticipated profits relating to those contracts. In addition, while clients and subcontractors may agree to indemnify us against certain liabilities, such third parties may refuse or be unable to pay us.

We maintain insurance coverage for various aspects of our business and operations. Our insurance programs have varying coverage limits as well as exclusions for matters such as fraud, and insurance companies may attempt to deny claims for which we seek coverage. In addition, we have elected to retain a portion of losses that may occur through the use of various deductibles, retentions and limits under these programs. As a result, we may be subject to future liability for which we are only partially insured, or completely uninsured.

Although in the past we have been generally able to cover our insurance needs, there can be no assurances that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, coverage that is more limited, or increased premium costs or higher deductibles. We monitor the financial health of the insurance companies from which we procure insurance, and this is one of the factors we take into account when purchasing insurance. Our insurance is purchased from a number of the world's leading providers, often in layered insurance or quota share arrangements. If any of our third party insurers fail, abruptly cancel our coverage or otherwise cannot satisfy their insurance requirements to us, then our overall risk exposure and operational expenses could be increased and our business operations could be interrupted.

In addition, the nature of our business sometimes results in clients, subcontractors, and vendors presenting claims to us for, among other things, recovery of costs related to certain projects. Similarly, we occasionally present change orders and claims to our clients, subcontractors, and vendors for, among other things, additional costs exceeding the original contract price. If we fail to document properly the nature of our claims and change orders or are otherwise unsuccessful in negotiating reasonable settlements with our clients, subcontractors, and vendors, we could incur cost overruns, reduced profits or, in some cases, a loss for a project. Further, these claims can be the subject of lengthy negotiations, arbitration or litigation proceedings, which could result in the investment of significant amounts of working capital pending the resolution of the relevant change orders and claims. A failure to promptly recover on these types of claims could have a material adverse impact on our liquidity and financial results. Additionally, irrespective of how well we document the nature of our claims and change orders, the cost to prosecute and defend claims and change orders can be significant.

Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. Pending or future claims against us could result in professional liability, product liability, criminal liability, warranty obligations, default under our credit agreements and other liabilities which, to the extent we are not insured against a loss or our insurer fails to provide coverage, could have a material adverse impact on our business, financial condition, and results of operations.

The nature of our contracts, particularly those that are fixed-price, subject us to risks of cost overruns. We may experience reduced profits or, in some cases, losses if costs increase above budgets or estimates or if the project experiences schedule delays.

For fiscal 2017, approximately 19% of our revenues were earned under fixed-price contracts. Both fixed-price and many cost reimbursable contracts require us to estimate the total cost of the project in advance of our performance. For fixed-price contracts, we may benefit from any cost-savings, but we bear greater risk of paying some, if not all, of any cost overruns. Fixed-price contracts are established in part on partial or incomplete designs, cost and scheduling estimates that are based on a number of assumptions, including those about future economic conditions, commodity and other materials pricing and availability of labor, equipment and materials, and other exigencies. If the design or the estimates prove inaccurate or if circumstances change due to, among other things, unanticipated technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather or other delays beyond our control, changes in the costs of equipment or raw materials, our vendors’ or subcontractors’ inability or failure to perform, or changes in general economic conditions, then cost overruns may occur and we could experience reduced profits or, in some cases, a loss for that project. These risks are exacerbated for projects with long-term durations because there is an increased risk that the circumstances on which we based our original estimates will change in a manner that increases costs. If the project is significant, or there are one or more issues that impact multiple projects, costs overruns could have a material adverse impact on our business, financial condition, and results of operations.

Our contracts that are fundamentally cost reimbursable in nature may also present a risk to the extent the final cost on a project exceeds the amount the customer expected or budgeted. Like fixed-price contracts, the expected cost of cost-reimbursable projects are based in part on partial design and our estimates of the resources and time necessary to perform such contracts. A portion of the fee is often linked to the final cost and schedule objectives and if for whatever reason, the project may be less profitable than we expect or even result in losses.

Our continued success is dependent upon our ability to hire, retain, and utilize qualified personnel.

The success of our business is dependent upon our ability to hire, retain, and utilize qualified personnel, including engineers, architects, designers, craft personnel, and corporate management professionals who have the required experience and expertise at a reasonable cost. The market for these and other personnel is competitive. From time to time, it may be difficult to attract and retain qualified individuals with the expertise, and in the timeframe, demanded by our clients, or to replace such personnel when needed in a timely manner. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel. Furthermore, some of our personnel hold government granted clearance that may be required to obtain government projects. If we were to lose some or all of these personnel, they would be difficult to replace. Loss of the services of, or failure to recruit, qualified technical and management personnel could limit our ability to successfully complete existing projects and compete for new projects.

In addition, in the event that any of our key personnel retire or otherwise leave the Company, we need to have appropriate succession plans in place and to successfully implement such plans, which requires devoting time and resources toward identifying and integrating new personnel into leadership roles and other key positions. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, it could have a material adverse impact on our business, financial condition, and results of operations.

The cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. For example, the uncertainty of contract award timing can present difficulties in matching our workforce size with our contracts. If an expected contract award is delayed or not received, we could incur costs resulting from excess staff, reductions in staff, or redundancy of facilities that could have a material adverse impact on our business, financial conditions, and results of operations.

The contracts in our backlog may be adjusted, cancelled or suspended by our clients and, therefore, our backlog is not necessarily indicative of our future revenues or earnings. Additionally, even if fully performed, our backlog is not a good indicator of our future gross margins.

Backlog represents the total dollar amount of revenues we expect to record in the future as a result of performing work under contracts that have been awarded to us. As of the end of fiscal 2017, our backlog totaled approximately $19.8 billion. There is no assurance that backlog will actually be realized as revenues in the amounts reported or, if realized, will result in profits. In accordance with industry practice, substantially all of our contracts are subject to cancellation, termination, or suspension at the discretion of the client. In the event of a project cancellation, we would generally have no contractual right to the total revenue reflected in our backlog. Projects can remain in backlog for extended periods of time because of the nature of the project and the timing of the particular services required by the project. The risk of contracts in backlog being cancelled or suspended generally increases during periods of widespread economic slowdowns or in response to changes in commodity prices.

The contracts in our backlog are subject to changes in the scope of services to be provided as well as adjustments to the costs relating to the contracts. The revenue for certain contracts included in backlog is based on estimates. Additionally, the way we perform on our individual contracts can affect greatly our gross margins and hence, future profitability.

In some markets, there is a continuing trend towards cost-reimbursable contracts with incentive-fee arrangements. Typically, our incentive fees are based on such things as achievement of target completion dates or target costs, overall safety performance, overall client satisfaction, and other performance criteria. If we fail to meet such targets or achieve the expected performance standards, we may receive a lower, or even zero, incentive fee resulting in lower gross margins. Accordingly, there is no assurance that the contracts in backlog, assuming they produce the revenues currently expected, will generate gross margins at the rates we have realized in the past.

Contracts with the U.S. federal government and other governments and their agencies pose additional risks relating to future funding and compliance.

Contracts with the U.S. federal government and other governments and their agencies, which are a significant source of our revenue and profit, are subject to various uncertainties, restrictions, and regulations including oversight audits by various government authorities as well as profit and cost controls, which could result in withholding or delay of payments to us. Government contracts are also exposed to uncertainties associated with funding such as sequestration and budget deficits. Contracts with the U.S. federal government, for example, are subject to the uncertainties of Congressional funding. Governments are typically under no obligation to maintain funding at any specific level, and funds for government programs may even be eliminated. Legislatures typically appropriate funds on a year-by-year basis, while contract performance may take more than one year. As a result, contracts with government agencies may be only partially funded or may be terminated, and we may not realize all of the potential revenue and profit from those contracts.

Our government clients may reduce the scope or terminate our contracts for convenience or decide not to renew our contracts with little or no prior notice. Since government contracts represent a significant percentage of our revenues (for example, those with the U.S. federal government represented approximately 19.2% of our total revenue in fiscal 2017), a significant reduction in government funding or the loss of such contracts could have a material adverse impact on our business, financial condition, and results of operations.

Most government contracts are awarded through a rigorous competitive process. The U.S. federal government has increasingly relied upon multiple-year contracts with multiple contractors that generally require those contractors to engage in an additional competitive bidding process for each task order issued under a contract. This process may result in us facing significant additional pricing pressure and uncertainty and incurring additional costs. Moreover, we may not be awarded government contracts because of existing policies designed to protect small businesses and under-represented minorities. Our inability to win new contracts or be awarded work under existing contracts could have a negative impact on our business and results of operations.

In addition, government contracts are subject to specific procurement regulations and a variety of other socio-economic requirements, which affect how we transact business with our clients and, in some instances, impose additional costs on our business operations. For example, for contracts with the U.S. federal government, we must comply with the Federal Acquisition Regulation, the Truth in Negotiations Act, the Cost Accounting Standards, the Service Contract Act, and numerous regulations governing environmental protection and employment practices. Government contracts also contain terms that expose us to heightened levels of risk and potential liability than non-government contracts. This includes, for example, unlimited indemnification obligations.

We also are subject to government audits, investigations, and proceedings. For example, government agencies such as the U.S. Defense Contract Audit Agency routinely review and audit us to determine the adequacy of and our compliance with our internal control systems and policies and whether allowable costs are in accordance with applicable regulations. These audits can result in a determination that a rule or regulation has been violated or that adjustments are necessary to the amount of contract costs we believe are reimbursable by the agencies and the amount of our overhead costs allocated to the agencies.

If we violate a rule or regulation, fail to comply with a contractual or other requirement or do not satisfy an audit, a variety of penalties can be imposed on us including monetary damages and criminal and civil penalties. For example, in so-called “qui tam” actions brought by individuals or the government under the U.S. Federal False Claims Act or under similar state and local laws, treble damages can be awarded. In addition, any or all of our government contracts could be terminated, we could be suspended or debarred from all government contract work, or payment of our costs could be disallowed. The occurrence of any of these actions could harm our reputation and our business, financial condition, and results of operations could be negatively impacted.

Many of our federal government contracts require us to have security clearances, which can be difficult and time consuming to obtain. If our employees are unable to obtain or retain the necessary securities clearances, our clients could terminate or not renew existing contracts or award us new contracts. To the extent this occurs, our business, financial condition and results of operations could be negatively impacted.

Our use of joint ventures and partnerships exposes us to risks and uncertainties, many of which are outside of our control.

As is common in our industry, we perform certain contracts as a member of joint ventures, partnerships, and similar arrangements. This situation exposes us to a number of risks, including the risk that our partners may be unable to fulfill their obligations to us or our clients.

Further, we have limited ability to control the actions of our joint venture partners, including with respect to nonperformance, default, bankruptcy or legal or regulatory compliance. Our partners may be unable or unwilling to provide the required levels of financial support to the partnerships. If these circumstances occur, we may be liable for claims and losses attributable to the partner by operation of law or contract. These circumstances could also lead to disputes and litigation with our partners or clients, all of which could have a material adverse impact on our reputation, business, financial condition, and results of operations.

We depend on the management effectiveness of our joint venture partners. Differences in views among the joint venture participants may result in delayed decisions or in failures to agree on major issues, which could materially affect the business and operations of these ventures. In addition, in many of the countries in which we engage in joint ventures, it may be difficult to enforce our contractual rights under the applicable joint venture agreement. If we are not able to enforce our contractual rights, we may not be able to realize the benefits of the joint venture or we may be subject to additional liabilities.

We participate in joint ventures and similar arrangements in which we are not the controlling partner. In these cases, we have limited control over the actions of the joint venture. These joint ventures may not be subject to the same requirements regarding internal controls and internal control over financial reporting that we follow. To the extent the controlling partner makes decisions that negatively impact the joint venture or internal control problems arise within the joint venture, it could have a material adverse impact on our business, financial condition, and results of operations.

The failure by a joint venture partner to comply with applicable laws, regulations or client requirements could negatively impact our business and, for government clients, could result in fines, penalties, suspension or even debarment being imposed on us, which could have a material adverse impact on our business, financial condition, and results of operations.

We are dependent on third parties to complete many of our contracts.

Third-party subcontractors we hire perform much of the work performed under our contracts. We also rely on third-party equipment manufacturers or suppliers to provide much of the equipment and materials used for projects. If we are unable to hire qualified subcontractors or find qualified equipment manufacturers or suppliers, our ability to successfully complete a project could be impaired. If we are not able to locate qualified third-party subcontractors or the amount we are required to pay for subcontractors or equipment and supplies exceeds what we have estimated, especially in a lump sum or a fixed-price contract, we may suffer losses on these contracts. If a subcontractor, supplier, or manufacturer fails to provide services, supplies or equipment as required under a contract for any reason, we may be required to source these services, equipment or supplies to other third parties on a delayed basis or on less favorable terms, which could impact contract profitability. There is a risk that we may have disputes with our subcontractors relating to, among other things, the quality and timeliness of work performed, customer concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a contract. In addition, faulty workmanship, equipment or materials could impact the overall project, resulting in claims against us for failure to meet required project specifications.

In the current economic environment, third parties may find it difficult to obtain sufficient financing to help fund their operations. The inability to obtain financing could adversely affect a third party’s ability to provide materials, equipment or services which could have a material adverse impact on our business, financial condition, and results of operations. In addition, a failure by a third party subcontractor, supplier or manufacturer to comply with applicable laws, regulations or client requirements could negatively impact our business and, for government clients, could result in fines, penalties, suspension or even debarment being imposed on us, which could have a material adverse impact on our business, financial condition, and results of operations.

Negative conditions in the credit and financial markets and delays in receiving client payments could result in liquidity problems, adversely affecting our cost of borrowing and our business.

Although we finance much of our operations using cash provided by operations, at times we depend on the availability of credit to grow our business and to help fund business acquisitions. Instability in the credit markets in the U.S. or abroad could cause the availability of credit to be relatively difficult or expensive to obtain at competitive rates, on commercially reasonable terms or in sufficient amounts. This situation could make it more difficult or more expensive for us to access funds, refinance our existing indebtedness, enter into agreements for new indebtedness, or obtain funding through the issuance of securities or such additional capital may not be available on terms acceptable to us, or at all. We may also enter into business acquisition agreements that require us to access credit, which if not available at the closing of the acquisition could result in a breach of the acquisition agreement and a resulting claim for damages by the sellers of such business. In addition, market conditions could negatively impact our clients’ ability to fund their projects and, therefore, utilize our services, which could have a material adverse impact on our business, financial condition, and results of operations.

In addition, we are subject to the risk that the counterparties to our credit agreements may go bankrupt if they suffer catastrophic demand on their liquidity that will prevent them from fulfilling their contractual obligations to us. We also routinely enter into contracts with counterparties including vendors, suppliers, and subcontractors that may be negatively impacted by events in the credit markets. If those counterparties are unable to perform their obligations to us or our clients, we may be required to provide additional services or make alternate arrangements on less favorable terms with other parties to ensure adequate performance and delivery of services to our clients. These circumstances could also lead to disputes and litigation with our partners or clients, which could have a material adverse impact on our reputation, business, financial condition, and results of operations.

Some of our customers, suppliers and subcontractors depend on access to commercial financing and capital markets to fund their operations. Disruptions of the credit or capital markets could adversely affect our clients' ability to finance projects and could result in contract cancellations or suspensions, project delays and payment delays or defaults by our clients. In addition, clients may be unable to fund new projects, may choose to make fewer capital expenditures or otherwise slow their spending on our services or to seek contract terms more favorable to them. Our government clients may face budget deficits that prohibit them from funding proposed and existing projects or that cause them to exercise their right to terminate our contracts with little or no prior notice. In addition, any financial difficulties suffered by our subcontractors or suppliers could increase our cost or adversely impact project schedules. These disruptions could materially impact our backlog and have a material adverse impact on our business, financial condition, and results of operations.

In addition, we typically bill our clients for our services in arrears and are, therefore, subject to our clients delaying or failing to pay our invoices after we have already committed resources to their projects. In weak economic environments, we may experience increased delays and failures due to, among other reasons, our clients' unwillingness to pay for alleged poor performance or to preserve their own working capital. If one or more clients delays in paying or fails to pay us a significant amount of our outstanding receivables, it could have a material adverse impact on our liquidity, financial condition, and results of operations.

Furthermore, our cash balances and short-term investments are maintained in accounts held by major banks and financial institutions located primarily in North America, Europe, South America, Australia and Asia. Some of our accounts hold deposits in amounts that exceed available insurance. Although none of the financial institutions in which we hold our cash and investments have gone into bankruptcy or forced receivership, or have been seized by their governments, there is a risk that such events may occur in the future. If any such events were to occur, we would be at risk of not being able to access our cash, which may result in a temporary liquidity crisis that could impede our ability to fund our operations, which could have a material adverse impact on our business, financial condition, and results of operations.

Maintaining adequate bonding and letter of credit capacity is necessary for us to successfully bid on and win some contracts.

In line with industry practice, we are often required to provide performance or payment bonds or letters of credit to our customers. These instruments indemnify the customer should we fail to perform our obligations under the contract. If a bond or a letter of credit is required for a particular project and we are unable to obtain an appropriate bond or letter of credit, we cannot pursue that project. Historically, we have had adequate bonding and letter of credit capacity but, as is typically the case, the issuance of a bond is at the surety's sole discretion and the issuance of a letter of credit is based on the Company's credit-worthiness. Because of an overall lack of worldwide bonding capacity, we may find it difficult to find sureties who will provide required levels of bonding or such bonding may only be available at significant additional cost. There can be no assurance that our bonding capacity will continue to be available to us on reasonable terms. In addition, future projects may require us to obtain letters of credit that extend beyond the term of our existing credit facilities. Our inability to obtain adequate bonding and, as a result, to bid on new contracts that require such bonding or letter of credit could have a material adverse impact on our business, financial condition, results of operations, and cash flows.

Past and future environmental, heath, and safety laws could impose significant additional costs and liabilities.

We are subject to a variety of environmental, health, and safety laws and regulations governing, among other things, discharges to air and water, the handling, storage, and disposal of hazardous or waste materials and the remediation of contamination associated with the releases of hazardous substances and human health and safety. These laws and regulations and the risk of attendant litigation can cause significant delays to a project and add significantly to its cost. Violations of these regulations could subject us and our management to civil and criminal penalties and other liabilities.

Various U.S. federal, state, local, and foreign environmental laws and regulations may impose liability for property damage and costs of investigation and cleanup of hazardous or toxic substances on property currently or previously owned by us or arising out of our waste management or environmental remediation activities. These laws may impose responsibility and liability without regard to knowledge of or causation of the presence of contaminants. The liability under these laws is joint and several. We have potential liabilities associated with our past waste management and other activities and with our current and prior ownership of various properties. The discovery of additional contaminants or the imposition of unforeseen clean-up obligations at these or other sites could have a material adverse impact on our financial condition and results of operations.

When we perform our services, our personnel and equipment may be exposed to radioactive and hazardous materials and conditions. We may be subject to liability claims by employees, customers, and third parties as a result of such exposures. In addition, we may be subject to fines, penalties or other liabilities arising under environmental or safety laws. A claim, if not covered or only partially covered by insurance, could have a material adverse impact on our results of operations and financial condition.

Health safety, and environmental laws and regulations and policies are reviewed periodically and any changes thereto could affect us in substantial and unpredictable ways. Such changes could, for example, relax or repeal laws and regulations relating to the environment, which could result in a decline in the demand for our environmental services and, in turn, could negatively impact our revenue. Changes in the environmental laws and regulations, remediation obligations, enforcement actions, stricter interpretations of existing requirements, future discovery of contamination or claims for damages to persons, property, natural resources or the environment could result in material costs and liabilities that we currently do not anticipate. If we fail to comply with any environmental, health, or safety laws or regulations, whether actual or alleged, we could be exposed to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, any of which could adversely affect our business, financial condition and results of operations.

In addition, we and many of our clients operate in highly regulated environments, which may require us or our clients to obtain, and to comply with, federal, state, and local government permits and approvals. Any of these permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with, or the loss or modification of, the conditions of permits or approvals may subject us to penalties or other liabilities, which could have a material adverse impact on our business, financial condition, and result of operations.

If we fail to comply with federal, state, local or foreign governmental requirements, our business may be adversely affected.

We are subject to U.S. federal, state, local and foreign laws and regulations that affect our business. For example, our global operations require importing and exporting goods and technology across international borders which requires full compliance with both Export Regulatory Laws and International Trafficking in Arms Regulations (“ITAR”). Although we have policies and procedures to comply with U.S. and foreign international trade laws, the violation of such laws could subject the Company and its employees to civil or criminal penalties, including substantial monetary fines, or other adverse actions including denial of import or export privileges or debarment from participation in U.S. government contracts, and could damage our reputation and our ability to do business.

Employee, agent or partner misconduct or our overall failure to comply with laws or regulations could weaken our ability to win contracts, which could result in reduced revenues and profits.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, regulations pertaining to export control, environmental laws, and any other applicable laws or regulations. For example, we routinely provide services that may be highly sensitive or that relate to critical national security matters; if a security breach were to occur, our ability to procure future government contracts could be severely limited. The precautions we take to prevent and detect these activities may not be effective, and we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, cancellation of contracts, loss of security clearance, and suspension or debarment from contracting, which could weaken our ability to win contracts and result in reduced revenues and profits and could have a material adverse impact on our business, financial condition, and results of operations.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act of 2010, and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws, including the requirements to maintain accurate information and internal controls. We operate in many parts of the world that have experienced governmental corruption to some degree and in certain circumstances; strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our training and compliance programs, there is no assurance that our internal control policies and procedures will protect us from acts committed by our employees or agents. If we are found to be liable for FCPA or other violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from civil and criminal penalties or other sanctions, including contract cancellations or debarment, and loss of reputation, any of which could have a material adverse impact on our business, financial condition, and results of operations.

The loss of or a significant reduction in business from one or a few customers could have a material adverse impact on us.

A few clients have in the past and may in the future account for a significant portion of our revenue and/or backlog in any one year or over a period of several consecutive years. For example, in fiscal 2017, 2016, and 2015, approximately 19.2%, 21.4% and 21.7%, respectively, of our revenue was earned directly or indirectly from agencies of the U.S. federal government. Although we have long-standing relationships with many of our significant clients, our clients may unilaterally reduce, delay, or cancel their contracts at any time. Our loss of or a significant reduction in business from a significant client could have a material adverse impact on our business, financial condition, and results of operations.

Our international operations are exposed to additional risks and uncertainties, including unfavorable political developments and weak foreign economies.

For fiscal 2017, approximately 42% of our revenue was earned from clients outside the U.S. Our business is dependent on the continued success of our international operations, and we expect our international operations to continue to account for a significant portion of our total revenues. Our international operations are subject to a variety of risks, including:

- Recessions and other economic crises in other regions, such as Europe, or specific foreign economies and the impact on our costs of doing business in those countries;
- Difficulties in staffing and managing foreign operations, including logistical and communication challenges;
- Unexpected changes in foreign government policies and regulatory requirements;
- Potential non-compliance with a wide variety of laws and regulations, including anti-corruption, export control and anti-boycott laws and similar non-U.S. laws and regulations;
- Lack of developed legal systems to enforce contractual rights;
- Expropriation and nationalization of our assets in a foreign country;
- Renegotiation or nullification of our existing contracts;
- The adoption of new, and the expansion of existing, trade or other restrictions;
- Embargoes or other trade restrictions, including sanctions;
- Changes in labor conditions;
- Acts of war, civil unrest, force majeure, and terrorism;
- The ability to finance efficiently our foreign operations;
- Social, political, and economic instability;
- Expropriation of property;
- Tax increases;
- Currency exchanges rate fluctuations;
- Limitations on the ability to repatriate foreign earnings; and
- U.S. government policy changes in relation to the foreign countries in which we operate.

The lack of a well-developed legal system in some of these countries may make it difficult to enforce our contractual rights. In addition, military action or continued unrest, particularly in the Middle East, could impact the supply or pricing of oil, disrupt our operations in the region and elsewhere and increase our security costs. To the extent our international operations are affected by unexpected or adverse economic, political and other conditions, our business, financial condition, and results of operations may be adversely affected.

We work in international locations where there are high security risks, which could result in harm to our employees or unanticipated cost.

Some of our services are performed in high-risk locations, where the country or location is subject to political, social or economic risks, or war or civil unrest. In those locations where we have employees or operations, we may expend significant efforts and incur substantial security costs to maintain the safety of our personnel. Despite these activities, in these locations, we cannot guarantee the safety of our personnel and we may suffer future losses of employees and subcontractors. Acts of terrorism and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts, or the loss of key employees, contractors or assets.

Foreign exchange risks may affect our ability to realize a profit from certain projects.

Our reported financial condition and results of operations are exposed to the effects (both positive and negative) that fluctuating exchange rates have on the process of translating the financial statements of our international operations, which are denominated in currencies other than the U.S. dollar, into the U.S. dollar. While we generally attempt to denominate our contracts in the currencies of our expenditures, we do enter into contracts that expose us to currency risk, particularly to the extent contract revenue is denominated in a currency different than the contract costs. We attempt to minimize our exposure from currency risks by obtaining escalation provisions for projects in inflationary economies or entering into derivative (hedging) instruments, when there is currency risk exposure that is not naturally mitigated via our contracts. These actions, however, may not always eliminate currency risk exposure. The governments of certain countries have or may in the future impose restrictive exchange controls on local currencies and it may not be possible for us to engage in effective hedging transactions to mitigate the risks associated with fluctuations in a particular currency. Based on fluctuations in currency, the U.S. dollar value of our backlog may from time to time increase or decrease significantly. We may also be exposed to limitations on our ability to reinvest earnings from operations in one country to fund the financing requirements of our operations in other countries.

Our operations may be impacted by the United Kingdom’s proposed exit from the European Union.

In June 2016, the U.K. held a referendum in which voters approved an exit from the E.U., commonly referred to as “Brexit.” As a result of the U.K.’s exit from the E.U., there may be greater restrictions on imports and exports between the U.K. and E.U. countries and increased regulatory complexities. These changes may adversely affect our relationships with our existing and future customers, suppliers, employees, and subcontractors, or otherwise have an adverse effect on our business, financial condition and results of operations. The ongoing negotiations between the U.K. and the E.U. as to the terms upon which the U.K. will exit from the E.U. and the uncertainty as to their future trade agreement continues to create economic uncertainty, which may cause our customers to closely monitor their costs, terminate or reduce the scope of existing contracts, decrease or postpone currently planned contracts, or negotiate for more favorable deal terms, each of which may have a negative impact on our business, financial condition and results of operations.

Our business strategy relies in part on acquisitions to sustain our growth. Acquisitions of other companies present certain risks and uncertainties.

Our business strategy involves growth through, among other things, the acquisition of other companies. Acquiring companies presents a number of risks, including:

- Assumption of liabilities of an acquired business, including liabilities that were unknown at the time the acquisition was negotiated;
- Valuation methodologies may not accurately capture the value of the acquired business;
- Failure to realize anticipated benefits, such as cost savings and revenue enhancements;
- Difficulties relating to combining previously separate entities into a single, integrated, and efficient business;

- The effects of diverting management’s attention from day-to-day operations to matters involving the integration of acquired companies;
- Potentially substantial transaction costs associated with business combinations;
- Potential impairment resulting from the overpayment for an acquisition or post-acquisition deterioration in an acquired business;

- Difficulties relating to assimilating the personnel, services, and systems of an acquired business and to assimilating marketing and other operational capabilities;
- Difficulties retaining key personnel of an acquired business;
- Increased burdens on our staff and on our administrative, internal control and operating systems, which may hinder our legal and regulatory compliance activities;
- Difficulties in applying and integrating our system of internal controls to an acquired business;
- Increased financial and accounting challenges and complexities in areas such as tax planning, treasury management, financial reporting and internal controls; and
- The potential requirement for additional equity or debt financing, which may not be available, or if available, may not have favorable terms.

While we may obtain indemnification rights from the sellers of acquired businesses, such rights may be difficult to enforce, the losses may exceed any dedicated escrow funds, and the indemnitors may not have the ability to financially support the indemnity.

If our management is unable to successfully integrate acquired companies or implement our growth strategy, our operating results could be harmed. In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of an acquisition, including the synergies, cost savings, or sales or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all. Moreover, we cannot assure that we will continue to successfully expand or that growth or expansion will result in profitability.

In addition, there is no assurance that we will continue to locate suitable acquisition targets or that we will be able to consummate any such transactions on terms and conditions acceptable to us. Existing cash balances and cash flow from operations, together with borrowing capacity under our credit facilities, may be insufficient to make acquisitions. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on attractive terms, or at all. Acquisitions may also bring us into businesses we have not previously conducted and expose us to additional business risks that are different than those we have traditionally experienced.

In the event we issue stock as consideration for certain acquisitions we may make, we could dilute share ownership.

One method of acquiring companies or otherwise funding our corporate activities is through the issuance of additional equity securities. If we issue additional equity securities, as is contemplated, for example, in connection with the Merger, such issuances could have the effect of diluting our earnings per share as well as our existing shareholders' individual ownership percentages in the Company.

There can be no assurance that we will pay dividends on our common stock.

Our Board of Directors initiated a quarterly cash dividend program in fiscal 2017 under which we have paid, and intend to continue paying, a regular quarterly dividend. The declaration, amount and timing of such dividends are subject to capital availability and determinations by our Board of Directors that cash dividends are in the best interest of our stockholders and are in compliance with all respective laws and our agreements applicable to the declaration and payment of cash dividends. Our ability to pay dividends will depend upon, among other factors, our cash balances and potential future capital requirements for strategic transactions, including acquisitions, debt service requirements, results of operations, financial condition and other factors that our Board of Directors may deem relevant. A reduction in or elimination of our dividend payments and/or our dividend program could have a material negative effect on our stock price.

Our quarterly results may fluctuate significantly, which could have a material negative effect on the price of our common stock.

Our quarterly operating results may fluctuate significantly, which could cause our operating results to fall below the expectations of securities analysts and have a material negative effect on the price of our common stock. Fluctuations are caused by a number of factors, including:

- Fluctuations in the spending patterns of our government and commercial customers;
- The number and significance of projects executed during a quarter;

- Unanticipated changes in contract performance, particularly with contracts that have funding limits;
- The timing of resolving change orders, requests for equitable adjustments, and other contract adjustments;
- Delays incurred in connection with a project;
- Changes in prices of commodities or other supplies;
- Changes in foreign currency exchange rates;
- Weather conditions that delay work at project sites;
- The timing of expenses incurred in connection with acquisitions or other corporate initiatives;
- The decision by the Board of Directors to begin or cease paying a dividend, and the expectation that if the Company pays dividends, it would declare dividends at the same or higher levels in the future;
- Natural disasters or other crises;
- Staff levels and utilization rates;
- Changes in prices of services offered by our competitors; and
- General economic and political conditions.

Our actual results could differ from the estimates and assumptions used to prepare our financial statements.

In preparing our financial statements, our management is required under U.S. GAAP to make estimates and assumptions as of the date of the financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenue, and expenses and disclosure of contingent assets and liabilities. Areas requiring significant estimates by our management include:

- Recognition of contract revenue, costs, profit or losses in applying the principles of percentage of completion accounting;
- Estimated amounts for expected project losses, warranty costs, contract close-out or other costs;
- Recognition of recoveries under contract change orders or claims;
- Collectability of billed and unbilled accounts receivable and the need and amount of any allowance for doubtful accounts;
- Estimates of other liabilities, including litigation and insurance revenues/reserves and reserves necessary for self-insured risks;
- Accruals for estimated liabilities, including litigation reserves;
- Valuation of assets acquired, and liabilities, goodwill, and intangible assets assumed, in acquisitions;
- Valuation of stock-based compensation;
- The determination of liabilities under pension and other post-retirement benefit programs; and
- Income tax provisions and related valuation allowances.

Our actual business and financial results could differ from our estimates of such results, which could have a material negative impact on our financial condition and results of operations.

An impairment charge on our goodwill could have a material adverse impact on our financial position and results of operations.

Because we have grown in part through acquisitions, goodwill and intangible assets represent a substantial portion of our assets. Under U.S. GAAP, we are required to test goodwill carried in our Consolidated Balance Sheets for possible impairment on an annual basis based upon a fair value approach. As of September 29, 2017, we had $3.0 billion of goodwill, representing 40.8% of our total assets of $7.4 billion. We have chosen to perform our annual impairment reviews of goodwill at the end of the third quarter of our fiscal year. We also are required to test goodwill for impairment between annual tests if events occur or circumstances change that would more likely than not reduce our enterprise fair value below its book value. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit's market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of our business, potential government actions toward our facilities, and other factors.

If our market capitalization drops significantly below the amount of net equity recorded on our balance sheet, it might indicate a decline in our fair value and would require us to further evaluate whether our goodwill has been impaired. If the fair value of our reporting units is less than their carrying value, we could be required to record an impairment charge. The amount of any impairment could be significant and could have a material adverse impact on our financial position and results of operations for the period in which the charge is taken. For a further discussion of goodwill impairment testing, please see Item 7- Management's Discussion and Analysis of Financial Condition and Results of Operations below.

We may be required to contribute additional cash to meet any underfunded benefit obligations associated with retirement and post-retirement benefit plans we manage.

We have various employee benefit plan obligations that require us to make contributions to satisfy, over time, our underfunded benefit obligations, which are generally determined by calculating the projected benefit obligations minus the fair value of plan assets. For example, as of September 29, 2017 and September 30, 2016, our defined benefit pension and post-retirement benefit plans were underfunded by $252.0 million and $403.1 million, respectively. See Note 7- Pension Plans and Other Postretirement Plans of the Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K for additional disclosure. In the future, our benefit plan obligations may increase or decrease depending on changes in the levels of interest rates, pension plan asset performance and other factors. If we are required to contribute a significant amount of the deficit for underfunded benefit plans, our cash flows could be materially and adversely affected.

Rising inflation, interest rates, and/or construction costs could reduce the demand for our services as well as decrease our profit on our existing contracts, in particular with respect to our fixed-price contracts.

Rising inflation, interest rates, or construction costs could reduce the demand for our services. In addition, we bear all of the risk of rising inflation with respect to those contracts that are fixed-price. Because a significant portion of our revenues are earned from cost-reimbursable type contracts (approximately 81% during fiscal 2017), the effects of inflation on our financial condition and results of operations over the past few years have been generally minor. However, if we expand our business into markets and geographic areas where fixed-price and lump-sum work is more prevalent, inflation may have a larger impact on our results of operations in the future. Therefore, increases in inflation, interest rates or construction costs could have a material adverse impact on our business, financial condition, and results of operations.

We may be affected by market or regulatory responses to climate change.

Growing concerns about climate change may result in the imposition of additional environmental regulations. Legislation, international protocols, regulation or other restrictions on emissions could result in increased compliance costs for us and our clients and have other impacts on our clients, including those who are involved in the exploration, production or refining of fossil fuels, emit greenhouse gases through the combustion of fossil fuels or emit greenhouse gases through the mining, manufacture, utilization or production of materials or goods. Such policy changes could increase the costs of projects for our clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services, which would in turn have a material adverse impact on our business, financial condition, and results of operations. However, these changes could also increase the pace of projects, such as carbon capture or storage projects, that could have a positive impact on our business. We cannot predict when or whether any of these various proposals may be enacted or what their effect will be on us or on our customers.

Our effective tax rate may increase or decrease.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe that our tax estimates and tax positions are reasonable, they could be materially affected by many factors including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations, and related interpretations, our global mix of earnings, the realizability of deferred tax assets and changes in uncertain tax positions. An increase or decrease in our effective tax rate, or an ultimate determination that the Company owes more taxes than the amounts previously accrued, could have a material adverse impact on our financial condition and results of operations.

Systems and information technology interruption or failure and data security breaches could adversely impact our ability to operate or expose us to significant financial losses and reputational harm.

We rely heavily on computer, information, and communications technology and related systems in order to properly operate our business. From time to time, we experience occasional system interruptions and delays. In the event we are unable to regularly deploy software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of our systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data. In addition, our computer and communication systems and operations could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on our business, financial condition, protection of intellectual property, and results of operations, as well as those of our clients.

In addition, we face the threat to our computer systems of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems and system disruptions, including possible unauthorized access to and disclosure of our and our clients' proprietary or classified information. As part of our ongoing effort to utilize industry accepted security measures and technology to securely maintain all confidential and proprietary information on our computer systems, we have observed increased threat activity to our computer systems, and have identified instances of unauthorized access to certain of our computer systems occurring in the 2014-2016 timeframe. In response, we are conducting an ongoing internal investigation with the assistance of outside counsel and technical experts to identify and remediate the source and impact of these incursions, as well as comply with related notification and disclosure obligations. Expenses incurred to date related to this matter have not been material. We will incur additional expenses and may incur losses in connection with this matter, which may have a material adverse effect on our business, financial conditions, results of operations and cash flows; however, at this time we are unable to reasonably estimate any such additional expenses or losses.

While we have security measures and technology in place to protect our and our clients' proprietary or classified information, if these measures fail as a result of a cyber-attack, other third-party action, employee error, malfeasance or otherwise, and someone obtains unauthorized access to our or our clients' information, our reputation could be damaged, our business may suffer and we could incur significant liability. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. As a result, we may be required to expend significant resources to protect against the threat of system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows.

We continuously evaluate the need to upgrade and/or replace our systems and network infrastructure to protect our computing environment, to stay current on vendor supported products and to improve the efficiency of our systems and for other business reasons. The implementation of new systems and information technology could adversely impact our operations by imposing substantial capital expenditures, demands on management time and risks of delays or difficulties in transitioning to new systems. And, our systems implementations may not result in productivity improvements at the levels anticipated. Systems implementation disruption and any other information technology disruption, if not anticipated and appropriately mitigated, could have an adverse effect on our business.

We may not be able to protect our intellectual property or that of our clients.

Our technology and intellectual property provide us, in certain instances, with a competitive advantage. Although we protect our property through patent registrations, license restrictions, and similar mechanisms, we may not be able to successfully preserve our rights and they could be invalidated, circumvented, challenged or become obsolete. Our employees and contractors are subject to confidentiality obligations, but this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or infringement of our intellectual property. In addition, the laws of some foreign countries in which we operate do not protect intellectual property rights to the same extent as the U.S. If we are unable to protect and maintain our intellectual property rights or if there are any successful intellectual property challenges or infringement proceedings against us, our ability to differentiate our service offerings could be reduced. Litigation to determine the scope of intellectual property rights, even if ultimately successful, could be costly and could divert management’s attention away from other aspects of our business.

We also hold licenses from third parties which may be utilized in our business operations. If we are no longer able to license such technology on commercially reasonable terms or otherwise, our business and financial performance could be adversely affected.

If our intellectual property rights or work processes become obsolete, we may not be able to differentiate our service offerings and some of our competitors may be able to offer more attractive services to our customers. Our competitors may independently attempt to develop or obtain access to technologies that are similar or superior to our technologies.

Our clients or other third parties may also provide us with their technology and intellectual property. There is a risk we may not sufficiently protect our or their information from improper use or dissemination and, as a result, could be subject to claims and litigation and resulting liabilities, loss of contracts or other consequences that could have an adverse impact on our business, financial condition, and results of operations.

Our businesses could be materially and adversely affected by events outside of our control.

Extraordinary or force majeure events beyond our control, such as natural or man-made disasters, could negatively impact our ability to operate. As an example, from time to time we face unexpected severe weather conditions which may result in weather-related delays that are not always reimbursable under a fixed-price contract; evacuation of personnel and curtailment of services; increased labor and material costs in areas resulting from weather-related damage and subsequent increased demand for labor and materials for repairing and rebuilding; inability to deliver materials, equipment and personnel to jobsites in accordance with contract schedules; and loss of productivity. We may remain obligated to perform our services after any such natural or man-made event, unless a force majeure clause or other contractual provision provides us with relief from our contractual obligations. If we are not able to react quickly to such events, or if a high concentration of our projects are in a specific geographic region that suffers from a natural or man-made catastrophe, our operations may be significantly affected, which could have a negative impact on our operations. In addition, if we cannot complete our contracts on time, we may be subject to potential liability claims by our clients which may reduce our profits.

We are subject to professional standards, duties and statutory obligations on professional reports and opinions we issue, which could subject us to monetary damages.

We issue reports and opinions to clients based on our professional engineering expertise as well as our other professional credentials that subject us to professional standards, duties and obligations regulating the performance of our services. For example, we issue opinions and reports to government clients in connection with securities offerings. If a client or another third party alleges that our report or opinion is incorrect or it is improperly relied upon and we are held responsible, we could be subject to significant monetary damages. In addition, our reports and other work product may need to comply with professional standards, licensing requirements, securities regulations and other laws and rules governing the performance of professional services in the jurisdiction where the services are performed. We could be liable to third parties who use or rely upon our reports and other work product even if we are not contractually bound to those third parties. These events could in turn result in monetary damages and penalties.

Delaware law and our charter documents may impede or discourage a takeover or change of control.

We are a Delaware corporation. Certain anti-takeover provisions of the Delaware general corporation law impose restrictions on the ability of others to acquire control of us. In addition, certain provisions of our charter documents may impede or discourage a takeover. For example:

- Only our Board of Directors can fill vacancies on the board;
- There are various restrictions on the ability of a shareholder to nominate a director for election; and
- Our Board of Directors can authorize the issuance of preferred shares.

These types of provisions, as well as our ability to adopt a shareholder rights agreement in the future, could make it more difficult for a third party to acquire control of us, even if the acquisition would be beneficial to our shareholders. Accordingly, shareholders may be limited in the ability to obtain a premium for their shares.

Failure of the Merger to be consummated, the termination of the Merger Agreement or a significant delay in the consummation of the Merger could negatively affect our stock price and our future business and financial results.

Our obligations and CH2M’s obligations to consummate the Merger are subject to the satisfaction or waiver of certain customary conditions, including, but not limited to: (i) the approval of the Merger Agreement by the CH2M stockholders, (ii) the expiration or termination of applicable waiting periods under, or receipt of the applicable consents required under, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and certain foreign antitrust and competition laws, each of which have been satisfied or obtained, (iii) the absence of any order, applicable law or other legal restraints of certain specified governmental authorities enjoining or otherwise prohibiting the consummation of the Merger, (iv) the accuracy of certain representations and warranties of each of the parties contained in the Merger Agreement, subject to specified materiality qualifications, (v) compliance, in all material respects, by each of the parties with their respective covenants contained in the Merger Agreement, (vi) the effectiveness of the registration statement on Form S-4 filed by the Company for the issuance of the Company common stock in the Merger, which was satisfied on November 9, 2017, and the approval of the listing of such shares on the New York Stock Exchange, (vii) the absence of a material adverse effect on either CH2M or the Company since the date of the Merger Agreement and (viii) the other conditions set forth in the Merger Agreement. There can be no assurance that these conditions to the consummation of the Merger will be satisfied in a timely manner or at all. In addition, other factors such as Jacobs’ ability to obtain the debt financing it needs to consummate the Merger, or legal proceedings related to the Merger, may affect when and whether the Merger will occur.

If the Merger is not consummated or is delayed, our ongoing business, financial condition and results of operations may be materially adversely affected and the market price of our common stock may decline significantly, particularly to the extent that the market price reflects a market assumption that the Merger will be consummated or will be consummated on a particular timeframe. In addition, we and our subsidiaries may experience negative reactions from our respective clients, regulators, vendors and employees.

Furthermore, we have incurred and expect to continue to incur substantial expenses in connection with the completion of the transactions contemplated by the Merger Agreement. If the Merger is not consummated, we will have paid these expenses without realizing the expected benefits of the transaction. Any of the foregoing, or other risks arising in connection with a failure or delay in consummating the Merger, including the diversion of management attention or loss of other opportunities during the pendency of the Merger, could have a material adverse effect on our business, financial condition and results of operations.

If Jacobs’ financing for the Merger becomes unavailable, the Merger may not be completed.

Jacobs intends to finance the cash component of the consideration payable to CH2M stockholders in the Merger, the repayment of CH2M’s outstanding indebtedness and other transaction expenses with a combination of cash on hand and debt financing, which includes the Jacobs Term Loan Facility in an aggregate principal amount of $1.5 billion and additional borrowings under the Revolving Credit Facility. Jacobs currently estimates that the aggregate principal amount of indebtedness to be incurred in connection with the Merger will be approximately $1.9 billion. There are a number of conditions in the Jacobs Term Loan Credit Agreement and the Revolving Credit Facility that must be satisfied or waived in order for closing of the debt financing to occur. There is a risk that these conditions will not be satisfied. In the event that the financing contemplated by the Jacobs Term Loan Credit Agreement and the Revolving

Credit Facility is not available, Jacobs may obtain alternative financing to finance the consideration payable to CH2M stockholders in the Merger, the repayment of CH2M’s outstanding indebtedness and other transaction expenses. Such alternative financing may not be available on acceptable terms, in a timely manner or at all. While obtaining financing is not a condition to Jacobs’ obligation to effect the Merger, if other financing becomes necessary and Jacobs is unable to secure such other financing, the Merger may not be completed.

The Merger may adversely affect the outcome of pending and future claims and litigation.

If the Merger is completed, it may give rise to unexpected liabilities and costs, including costs associated with the defense and resolution of possible litigation or other claims, and may have an adverse effect on any pending claims against Jacobs or CH2M. Jacobs could also be subject to claims or litigation related to the Merger, whether or not the Merger is consummated. Such actions may create additional uncertainty relating to the Merger, and responding to such claims and defending such actions may be costly and distracting to management.

The current ownership and voting interests of Jacobs stockholders will be diluted by the Merger.

Upon the completion of the Merger, except for stockholders who own stock in both Jacobs and CH2M, each Jacobs stockholder will have a percentage ownership of Jacobs that is smaller than such stockholder’s current percentage ownership of Jacobs. Because of this, Jacobs stockholders will generally have less influence on the management and policies of the combined company than they now have on the management and policies of Jacobs. If the combined company is unable to realize the full strategic and financial benefits currently anticipated from the Merger, Jacobs stockholders will have experienced substantial dilution of their ownership interests in their respective companies without receiving any commensurate benefit, or only receiving part of the strategic and financial benefits currently anticipated from the Merger.

The combined company may fail to realize the anticipated benefits of the Merger.

The success of the Merger will depend on, among other things, the combined company’s ability to realize the anticipated benefits from combining Jacobs’ and CH2M’s businesses, including achieving cost savings and operating synergies. The combined company’s ability to realize the anticipated benefits of the Merger will depend, to a large extent, on the ability of Jacobs to integrate the businesses of CH2M with Jacobs. The combination of two independent companies is a complex, costly and time-consuming process. As a result, the combined company will be required to devote significant management attention and resources to integrating the business practices and operations of Jacobs and CH2M. The integration process may disrupt the business of either or both of the companies and, if implemented ineffectively, could preclude or delay the realization of the full benefits expected by Jacobs. The failure of the combined company to meet the challenges involved in integrating successfully the operations of Jacobs and CH2M or otherwise to realize the anticipated benefits of the Merger could cause an interruption of, or a loss of momentum in, the activities of the combined company and could seriously harm its results of operations. In addition, the overall integration of the two companies may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of client relationships and diversion of management’s attention, and may cause the combined company’s stock price to decline.

The difficulties of combining the operations of the companies include, among others:

- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the combination;
- delays, unexpected costs or difficulties in completing the integration of CH2M or its assets;
- unanticipated issues in integrating logistics, information, communications and other systems;
- unanticipated changes in applicable laws and regulations;
- difficulties assimilating the operations and personnel of acquired companies into our operations;
- unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;
- diversion of the attention and resources of management or other disruptions to current operations;
- challenges in attracting and retaining key personnel;
- retaining key customers and suppliers;
- challenges in obtaining new customers and winning customer contracts;
- retaining and obtaining required regulatory approvals, licenses and permits;

- organizational conflicts of interest;
- difficulties in managing the expanded operations of a significantly larger and more complex company; and
- potential unknown liabilities and unforeseen increased expenses or delays associated with the Merger.

Many of these factors will be outside of Jacobs' and the combined company's control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact Jacobs' and the combined company's business, financial condition and results of operations.

In addition, even if the operations of Jacobs and CH2M are integrated successfully, the combined company may not realize the full benefits of the proposed transactions, including the synergies, cost savings or growth opportunities that the combined company expects. These benefits may not be achieved within the anticipated time frame, or at all. As a result, there can be no assurance that the Merger will result in the realization of the full benefits anticipated from the transactions contemplated by the Merger Agreement.

We will be subject to business uncertainties while the Merger is pending and following the combination.

Uncertainty about the effect of the Merger on Jacobs' employees and business relationships may have an adverse effect on Jacobs and on the combined company following the closing of the Merger. Our continued success depends, in part, upon our ability to retain the talents and dedication of our key employees and the ability of the combined company to retain the talents and dedication of CH2M's key employees. Employees may decide not to remain with the Company or CH2M, as applicable, while the Merger is pending. If key employees terminate their employment, or if an insufficient number of employees are retained to maintain effective operations, our business activities may be adversely affected and management's attention may be diverted from successfully managing our business to hiring suitable replacements, any of which factors may cause our business to deteriorate. In addition, we or CH2M may not be able to motivate certain key employees during the pendency of the Merger due to a perceived lack of appropriate opportunities for advancement or other reasons.

In addition, uncertainties during the pendency of the Merger may cause third parties who deal with the Company and/or CH2M to seek to change existing business relationships with us or CH2M. Moreover, customers' uncertainty about the effect of the Merger, including the perception of potential conflicts of interest with respect to projects where CH2M assumes, or will assume, a project role and Jacobs assumes, or will assume, a delivery role, and vice versa, may have an adverse effect on the ability of Jacobs and/or CH2M to attract or retain customers or to win customer contracts.

In addition, competitors may target the Company's or CH2M's clients by highlighting potential uncertainties and integration difficulties that may result from the Merger. The pursuit of the Merger and the preparation for the integration will require management attention and use of internal resources. Any significant diversion of management attention away from ongoing business concerns and any business difficulties resulting from the transition and integration process could have a material adverse effect on our business, financial condition and results of operations.

During the pendency of the Merger and following the Merger, our operating results and share price may be volatile, which could cause the value of our stockholder's investments to decline.

During the pendency of the Merger and following the Merger, our quarterly and annual operating results, as well as our stock price, may fluctuate, and such fluctuations may be significant. Such fluctuations may occur due to the accretion, or anticipated accretion, of the value of the Merger, the progress and success of the integration process or the perception of such progress or success, additions or departures of key personnel, or sales of large blocks of stock or the perception that such sales may occur.

Jacobs expects to incur substantial indebtedness to finance the Merger, which may decrease Jacobs' business flexibility and could adversely impact Jacobs' financial condition and results of operations.

In addition to using cash on hand at Jacobs and CH2M, Jacobs intends to finance the cash component of the consideration payable to the CH2M stockholders in the Merger, the repayment of CH2M's outstanding indebtedness and other transaction expenses with debt financing, which includes the Jacobs Term Loan Facility in an aggregate principal amount of $1.5 billion and additional borrowings under the Revolving Credit Facility. Jacobs currently estimates that the aggregate principal amount of indebtedness to be incurred in connection with the Merger will be approximately $1.9 billion. The financial and other covenants to which Jacobs has agreed to, or may agree to in connection with the incurrence of new indebtedness, and the combined company's increased indebtedness may have the effect, among other things, of reducing the combined company's flexibility to respond to changing business and economic conditions, thereby placing the combined company at a competitive disadvantage compared to competitors that have less indebtedness and making the combined company more vulnerable to general adverse economic and industry conditions. The combined company's increased indebtedness will also increase borrowing costs, and the covenants pertaining thereto may also limit the combined company's ability to obtain additional financing to fund working capital, capital expenditures, acquisitions or general corporate requirements. The combined company will also be required to dedicate a larger portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow for other purposes, including working capital, capital expenditures and general corporate purposes. In addition, the terms and conditions of such debt may not be favorable to the combined company and, as such, could further increase the costs of the Merger, as well as the overall burden of such debt upon the combined company and the combined company's business flexibility. Further, the combined company will be exposed to the risk of increased interest rates as a result of (i) higher leverage at or after the closing of the Merger and

(ii) unless the combined company enters into offsetting hedging transactions, interest rates that vary based on LIBOR or a bank's prime rate.

The combined company's ability to make payments on and to refinance its debt obligations and to fund planned capital expenditures will depend on its ability to generate cash from the combined company's operations. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the combined company's control.

The combined company may not be able to refinance any of its indebtedness on commercially reasonable terms, or at all. If the combined company cannot service its indebtedness, the combined company may have to take actions such as selling assets, selling additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments or alliances, any of which could impede the implementation of the combined company's business strategy or prevent the combined company from entering into transactions that would otherwise benefit its business. Additionally, the combined company may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all.

Any of the foregoing consequences could adversely affect the combined company's financial condition or results of operations.

Item 1B. UNRESOLVED STAFF COMMENTS
None.

Item 2. PROPERTIES
Our properties consist primarily of office space within general, commercial office buildings located in major cities primarily in the following countries: United States; Australia; Austria; Belgium; Canada; Chile; China; Finland; Germany; Greece; India; Italy; Malaysia; Mexico; Morocco; The Netherlands; Oman; The Philippines; Puerto Rico; Peru; Republic of Ireland; Saudi Arabia; South Africa; Singapore; Spain; Sweden; United Arab Emirates; and the United Kingdom. Such space is used for operations (providing technical, professional, and other home office services), sales, and administration. Most of our properties are leased. In addition, we have fabrication facilities located in Canada in Pickering, Ontario and Edmonton and Lamont, Alberta. The total amount of space used by us for all of our operations is approximately 7.6 million square feet.

We also lease smaller, project offices located throughout the U.S., the U.K., and in certain other countries. We also rent most of our construction equipment on a short-term basis.

Item 3. LEGAL PROCEEDINGS
The information required by this Item 3 is included in Note 12 — Contractual Guarantees, Litigation, Investigations, and Insurance of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURE
Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the "Mine Act") by the federal Mine Safety and Health Administration. Under the Mine Act, an independent

contractor, such as Jacobs, that performs services or construction of a mine is included within the definition of a mining operator. We do not act as the owner of any mines.

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Jacobs' common stock is listed on the NYSE and trades under the symbol JEC. We provided to the NYSE, without qualification, the required annual certification of our Chief Executive Officer regarding compliance with the NYSE's corporate governance listing standards. The following table sets forth the low and high sales prices of a share of our common stock during each of the fiscal quarters presented, based on the NYSE Composite Price History:

	Low Sales Price	High Sales Price
Fiscal 2017:		
First quarter	$49.16	$63.42
Second quarter	52.39	62.20
Third quarter	50.53	55.97
Fourth quarter	49.31	58.51
Fiscal 2016:		
First quarter	$37.51	$45.41
Second quarter	34.76	44.77
Third quarter	40.93	53.33
Fourth quarter	48.13	55.89

Shareholders

According to the records of our transfer agent, there were 989 shareholders of record as of November 10, 2017.

Share Repurchases

On July 23, 2015, the Board of Directors approved a program to repurchase up to $500 million of the Company's common stock over the next three years. Share repurchases may be executed through various means including, without limitation, open market transactions. The share repurchase program, which expires on July 22, 2018, does not oblige the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased, or decreased by the Company's Board of Directors in its discretion at any time. The timing of our share repurchases may depend upon market conditions, other uses of capital, and other factors.

There were no repurchases of our common stock during the fourth quarter of fiscal 2017.

Dividends

Our current policy is to use cash flows from operations to fund future growth, pay down debt, and, subject to market conditions, repurchase common stock under a stock buy-back program approved by our Board of Directors. On December 1, 2016, the Company announced that the Board of Directors has approved the initiation of a cash dividend program. Quarterly dividends of $0.15 per share were paid in each of the second, third and fourth quarters of fiscal 2017. On September 27, 2017, the Board of Directors declared a quarterly cash dividend of $0.15 per share, which was paid on November 10, 2017. Future dividend payments are subject to review and approval by the Company's

Board of Directors.

Unregistered Sales of Equity Securities.

None.

Performance Graph

The following graph and table shows the changes over the five-year period ended September 29, 2017 in the value of $100 as of the close of market on September 30, 2012 in (1) the common stock of Jacobs Engineering Group Inc., (2) the Standard & Poor's 500 Stock Index, and (3) the Dow Jones Heavy Construction Group Index. The values of each investment are based on share price appreciation, with reinvestment of all dividends, provided any were paid. The investments are assumed to have occurred at the beginning of the period presented. The stock performance included in this graph is not necessarily indicative of future stock price performance.

	2012	2013	2014	2015	2016	2017
Jacobs Engineering Group Inc.	100.00	143.90	120.75	92.58	127.92	145.32
S&P 500	100.00	119.34	142.89	142.02	163.93	194.44
Dow Jones US Heavy Construction	100.00	125.97	120.24	89.30	101.31	109.49

Note: The above information was provided by Research Data Group, Inc.

Item 6. SELECTED FINANCIAL DATA

The following table presents selected financial data for each of the last five fiscal years. This selected financial data should be read in conjunction with the Consolidated Financial Statements and related notes beginning on page F-1 of this Annual Report on Form 10-K. Dollar amounts are presented in thousands, except for per share information:

	2017 (a)	2016 (b)	2015 (c)	2014 (d)	2013
Results of Operations:					
Revenues	$10,022,788	$10,964,157	$12,114,832	$12,695,157	$11,818,376
Net earnings attributable to Jacobs	293,727	210,463	302,971	328,108	423,093
Financial Position:					
Current ratio	1.56 to 1	1.61 to 1	1.58 to 1	1.58 to 1	2.07 to 1
Working capital	1,069,953	1,081,784	1,141,512	1,372,332	2,020,853
Current assets	2,996,180	2,864,470	3,122,678	3,722,178	3,908,473
Total assets	7,380,859	7,360,022	7,785,926	8,453,659	7,274,144
Cash	774,151	655,716	460,859	732,647	1,256,405
Long-term debt	235,000	385,330	584,434	764,075	415,086
Total Jacobs stockholders' equity	4,428,352	4,265,276	4,291,745	4,469,255	4,213,097
Return on average equity	6.76 %	4.92 %	6.92 %	7.56 %	10.66 %
Backlog:					
Technical professional services	12,593,615	12,013,121	11,692,404	12,607,029	11,118,400
Field services	7,194,998	6,747,408	7,114,166	5,773,005	6,099,500
Total	19,788,613	18,760,529	18,806,570	18,380,034	17,217,900
Per Share Information:					
Basic earnings per share	2.43	1.75	2.42	2.51	3.27
Diluted earnings per share	2.42	1.73	2.40	2.48	3.23
Stockholders' equity	36.78	35.26	34.85	33.92	32.00
Average Number of Shares of Common Stock and Common Stock Equivalents Outstanding (Diluted)	121,466	121,483	126,110	132,371	130,945
Common Shares Outstanding At Year End	120,386	120,951	123,153	131,753	131,639
Cash Dividends Declared Per Common Share	$0.60	—	—	—	—

(a) Includes costs of $87.9 million, or $0.73 per diluted share, related to the Company's restructuring and other initiatives in the first, second, third and fourth quarter of fiscal 2017. Also included in the fourth quarter of fiscal 2017 are after-tax charges of $10.6 million, or $0.09 per diluted share, respectively, in professional fees and related costs associated with the pending CH2M acquisition. For a description of these restructuring and other initiatives, see "Restructuring and Other Charges" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(b) Includes costs of $135.6 million, or $1.12 per diluted share, related to the Company's restructuring initiatives in the first, second, third and fourth quarter of fiscal 2016. Also included in the fourth quarter of fiscal 2016 are (i) a loss on sale of our French subsidiary of $17.1 million or $0.14 per diluted share; and (ii) a non-cash write-off on an equity investment of $10.4 million or $0.09 per diluted share. For a description of these restructuring and other initiatives, see "Restructuring and Other Charges" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(c) Includes costs of $107.9 million, or $0.86 per diluted share, related to the Company's restructuring initiatives in the second, third and fourth quarters of fiscal 2015. For a description of these restructuring and other initiatives, see "Restructuring and Other Charges" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.
(d) Includes costs of $109.2 million, or $0.82 per diluted share, related to the Company's restructuring initiatives in the third and fourth quarter of fiscal 2014.

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

Critical Accounting Policies and Estimates

In order to understand better the changes that occur to key elements of our financial condition, results of operations, and cash flows, a reader of this Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be aware of the critical accounting policies we apply in preparing our consolidated financial statements.

The consolidated financial statements contained in this report were prepared in accordance with U.S. GAAP. The preparation of our consolidated financial statements and the financial statements of any business performing long-term engineering and construction-type contracts requires management to make certain estimates and judgments that affect both the entity’s results of operations and the carrying values of its assets and liabilities. Although our significant accounting policies are described in Note 2 – Significant Accounting Policies of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K, the following discussion is intended to highlight and describe those accounting policies that are especially critical to the preparation of our consolidated financial statements.

Revenue Accounting for Contracts and Use of Joint Ventures - We recognize revenue earned on our technical professional and field services projects under the percentage-of-completion method described in ASC 605-35, Construction-Type and Production-Type Contracts. In general, we recognize revenues at the time we provide services. Pre-contract costs are generally expensed as incurred. Contracts are generally segmented between types of services, such as project services and construction, and accordingly, gross margin related to each activity is recognized as those separate services are rendered. For multiple contracts with a single customer we account for each contract separately.

The percentage-of-completion method of accounting is applied by comparing contract costs incurred to date to the total estimated costs at completion. On cost-reimbursable contracts, the cost of materials and subcontracts are generally excluded from the calculation of the measure of progress towards completion to provide a more meaningful allocation of income. Contract losses are provided for in their entirety in the period they become known, without regard to the percentage-of-completion.

Unapproved change orders are included in the contract price to the extent it is probable that such change orders will result in additional contract revenue and the amount of such additional revenue can be reliably estimated. Claims meeting these recognition criteria are included in revenues only to the extent of the related costs incurred.

Certain cost-reimbursable contracts include incentive-fee arrangements. These incentive fees can be based on a variety of factors but the most common are the achievement of target completion dates, target costs, and/or other performance criteria. Failure to meet these targets can result in unrealized incentive fees. We recognize incentive fees based on expected results using the percentage-of-completion method of accounting. As the contract progresses and more information becomes available, the estimate of the anticipated incentive fee that will be earned is revised as necessary. We bill incentive fees based on the terms and conditions of the individual contracts. In certain situations, we are allowed to bill a portion of the incentive fees over the performance period of the contract. In other situations, we are allowed to bill incentive fees only after the target criterion has been achieved. Incentive fees which have been recognized but not billed are included in receivables in the accompanying Consolidated Balance Sheets.

Certain cost-reimbursable contracts with government customers as well as certain commercial clients provide that contract costs are subject to audit and adjustment. In this situation, revenues are recorded at the time services are performed based upon the amounts we expect to realize upon completion of the contracts. Revenues are not recognized for non-recoverable costs. In those situations where an audit indicates that we may have billed a client for costs not allowable under the terms of the contract, we estimate the amount of such nonbillable costs and adjust our revenues accordingly.

When we are directly responsible for subcontractor labor or third-party materials and equipment, we reflect the costs of such items in both revenues and costs (and we refer to such costs as “pass-through” costs). On those projects where the client elects to pay for such items directly and we have no associated responsibility for such items, these amounts are not reflected in either revenues or costs.

As is common to the industry, we execute certain contracts jointly with third parties through various forms of joint ventures and consortiums. Although the joint ventures own and hold the contracts with the clients, the services required by the contracts are typically performed by us and our joint venture partners, or by other subcontractors under subcontracting agreements with the joint ventures. The assets of our joint ventures, therefore, consist almost entirely of cash and receivables (representing amounts due from clients), and the liabilities of our joint ventures consist almost entirely of amounts due to the joint venture partners (for services provided by the partners to the joint ventures under their individual subcontracts) and other subcontractors. In general, at any given time, the equity of our joint ventures represents the undistributed profits earned on contracts the joint ventures hold with clients. Very few of our joint ventures have employees. None of our joint ventures have third-party debt or credit facilities. Under U.S. GAAP, our share of profits and losses associated with the contracts held by the joint ventures is reflected in our Consolidated Financial Statements.

Certain of our joint ventures meet the definition of a VIE. In evaluating our VIEs for possible consolidation, we perform a qualitative analysis to determine whether or not we have a “controlling financial interest” in the VIE as defined by U.S. GAAP. We consolidate only those VIEs over which we have a controlling financial interest and are the primary beneficiary.

For the Company’s unconsolidated joint ventures, we use either the equity method of accounting or proportional consolidation.

There were no changes in facts and circumstances during the period that caused the Company to reassess the method of accounting for its VIEs.

Accounting for Stock Issued to Employees and Others — We measure the cost of employee services received in exchange for an award of equity instruments based on the estimated grant-date fair value of the award. We estimate the fair value of stock options granted to employees and directors using the Black-Scholes option-pricing model. Like all option-pricing models, the Black-Scholes model requires the use of subjective assumptions including (i) the expected volatility of the market price of the underlying stock, and (ii) the expected term of the award, among others. Accordingly, changes in assumptions and any subsequent adjustments to those assumptions can cause different fair values to be assigned to our stock option awards. For restricted stock units containing service and performance conditions with measures external to the Company, compensation expense is based on the fair value of such units determined using Monte Carlo Simulations.

Accounting for Pension Plans — The accounting for pension plans requires the use of assumptions and estimates in order to calculate periodic pension cost and the value of the plans’ assets and liabilities. These assumptions include discount rates, investment returns, and projected salary increases, among others. The actuarial assumptions used in determining the funded statuses of the plans are provided in Note 7 – Pension and other Postretirement Benefit Plans of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

The expected rates of return on plan assets for fiscal 2018 range from 3.5% to 8.5% which is the same for the fiscal 2017. We believe the range of rates selected for fiscal 2018 reflects the long-term returns expected on the plans’ assets, considering recent market conditions, projected rates of inflation, the diversification of the plans’ assets, and the expected real rates of market returns. The discount rates used to compute plan liabilities were changed from a range of 0.7% to 7.0% in fiscal 2016 to a range of 1.3% to 7.0% in fiscal 2017. These assumptions represent the Company’s best estimate of the rates at which its pension obligations could be effectively settled.

Changes in the actuarial assumptions often have a material effect on the values assigned to plan assets and liabilities, and the associated pension expense. For example, if the discount rate used to value the net pension benefit obligation (“PBO”) at September 30, 2017, was higher (lower) by 0.5%, the PBO would have been lower (higher) at that date by approximately $119.7 million for non-U.S. plans, and by approximately $7.3 million for U.S. plans. If the expected return on plan assets was higher (lower) by 1.0%, the net periodic pension cost for fiscal 2017 would be lower (higher) by approximately $10.7 million for non-U.S. plans, and by approximately $1.3 million for U.S. plans. Differences between actuarial assumptions and actual performance (i.e., actuarial gains and losses) that are not recognized as a component of net periodic pension cost in the period in which such differences arise are recorded to accumulated other comprehensive income (loss) and are recognized as part of net periodic pension cost in future periods in accordance with U.S. GAAP. Management monitors trends in the marketplace within which our pension plans operate in an effort to assure the fairness of the actuarial assumptions used.

Contractual Guarantees, Litigation, Investigations, and Insurance — In the normal course of business, we are subject to certain contractual guarantees and litigation. The guarantees to which we are a party generally relate to project schedules and plant performance. Most of the litigation in which we are involved has us as a defendant in workers' compensation; personal injury; environmental; employment/labor; professional liability; and other similar lawsuits. We maintain insurance coverage for various aspects of our business and operations. We have elected, however, to retain a portion of losses that occur through the use of various deductibles, limits, and retentions under our insurance programs. In addition, our insurance policies may contain exclusions for certain matters, and insurance companies may seek to deny coverage for claims against us. This situation may subject us to some future liability for which we are only partially insured, or completely uninsured, and we intend to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of our contracts.

In accordance with U.S. GAAP, we record in our Consolidated Balance Sheets amounts representing our estimated liability relating to such guarantees, litigation, and insurance claims. We include any adjustments to such liabilities in our consolidated results of operations.

In addition, as a contractor providing services to the U.S. federal government and several of its agencies, we are subject to many levels of audits, investigations, and claims by, or on behalf of, the U.S. federal government with respect to contract performance, pricing, costs, cost allocations, and procurement practices. We adjust revenues based upon the amounts we expect to realize considering the effects of any client audits or governmental investigations.

Testing Goodwill for Possible Impairment — The goodwill carried on our Consolidated Balance Sheets is tested annually for possible impairment. In performing the annual impairment test, we evaluate our goodwill at the reporting unit level. The Company performs the annual goodwill impairment test for the reporting units at the end of the third quarter of our fiscal year. The Company will test goodwill for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

During the second quarter of fiscal 2016, we reorganized our operations around four global lines of business, which also serve as our operating segments: Petroleum & Chemicals, Buildings & Infrastructure, Aerospace & Technology, and Industrial. We determined that this new organization would better support the needs of managing each unique set of customers that fall within each segment. As a result of the new organization, we subsequently realigned our internal reporting structures to enable our Chief Executive Officer, who is also our Chief Operating Decision Maker, to evaluate the performance of each of these segments and make appropriate resource allocations among each of the segments. For purposes of our goodwill impairment testing, we have determined that our operating segments are also our reporting units based on management’s conclusion that the components comprising each of our operating segments share similar economic characteristics and meet the aggregation criteria in accordance with ASC 350.

U.S. GAAP does not prescribe a specific valuation method for estimating the fair value of reporting units. Any valuation technique used to estimate the fair value of a reporting unit requires the use of significant estimates and assumptions, including revenue growth rates, operating margins, discount rates and future market conditions, among others.

We used both an income approach and a market approach to test our goodwill for possible impairment. Such approaches require us to make estimates and judgments. Under the income approach, fair value is determined by using the discounted cash flows of our reporting units. The Company’s discount rate reflects a weighted average cost of capital (“WACC”) for a peer group of companies representative of the Company’s respective reporting units. Under the market approach, the fair value of our reporting units is determined by reference to guideline companies that are reasonably comparable to our reporting units; the fair values are estimated based on the valuation multiples of the invested capital associated with the guideline companies. In assessing whether there is an indication that the carrying value of goodwill has been impaired, we utilize the results of both valuation techniques and consider the range of fair values indicated. The fair values for each reporting unit exceeded the respective book values ranging from 27% to 110%.

It is possible that changes in market conditions, economy, facts and circumstances, judgments, and assumptions used in estimating the fair value could change, resulting in possible impairment of goodwill in the future. The fair values resulting from the valuation techniques used are not necessarily representative of the values we might obtain in a sale of the reporting units to willing third parties.

In performing the Company’s annual impairment test as of the end of the third quarter of fiscal 2017 the Company performed a qualitative assessment, and determined that it was more likely than not that the fair value of its reporting units exceeded their carrying amounts. As a result, the Company is not required to proceed to a quantitative impairment assessment.

We have determined that the fair value of our reporting units substantially exceeded their respective carrying values for the Consolidated Balance Sheets presented.

Restructuring and Other Charges

During the second fiscal quarter of 2015, the Company began implementing a series of initiatives intended to improve operational efficiency, reduce costs, and better position itself to drive growth of the business in the future. We refer to these initiatives, in the aggregate, as the "2015 Restructuring". These activities evolved and developed over time as management identified and evaluated opportunities for changes in the Company's operations (and related areas of potential cost savings), as economic conditions changed and as the realignment of the Company's operations into its four global lines of business was implemented. Actions related to the 2015 Restructuring include involuntary terminations, the abandonment of certain leased offices, combining operational organizations, and the co-location of employees into other existing offices. We did not exit any service types or client end-markets in connection with the 2015 Restructuring.

The majority of the costs associated with the 2015 Restructuring are included in SG&A expense in the Consolidated Statements of Earnings. The following table summarizes the impact of the 2015 Restructuring for the years ended September 29, 2017, September 30, 2016 and October 2, 2015 (in thousands):

	For the Years Ended		
	September 29, 2017	September 30, 2016	October 2, 2015
Lease Abandonments	$55,647	$92,643	$90,569
Involuntary Terminations	30,716	85,599	55,313
Outside Services	4,236	7,398	12,734
Other restructuring related, net	8,089	2,267	(1,424)
Total	$98,688	$187,907	$157,192

The 2015 Restructuring was completed in the fourth quarter of fiscal 2017, with the results of this program generally being in line with management's expectations. The Company expects annual savings from the 2015 Restructuring to be approximately $285 million per year.

During the second fiscal quarter of 2017, the Company entered into strategic business restructuring activities associated with realignment of its Europe, U.K. and Middle East regional operations in our Buildings & Infrastructure segment. Pre-tax net charges of $22.6 million were recorded associated mainly with net realizable value write-offs on contract accounts receivable of $16.5 million, with additional charges recorded for statutory redundancy and severance costs of $1.4 million and other liabilities of $4.7 million which are both expected to be paid or settled within fiscal 2018. Additional charges of $1.2 million were recorded under this business exit during third quarter fiscal 2017 associated mainly with contract accounts receivable charges. Further, management has determined that these business restructuring activities do not qualify for discontinued operations treatment in accordance with U.S. GAAP as the associated businesses were not material.

During the fourth fiscal quarter of 2017, the Company implemented certain restructuring activities (primarily severance related activities) associated with the Company's announced definitive agreement to acquire CH2M as well as final charges recognized in connection with the completion of the 2015 Restructuring. Approximately $13.6 million, or $0.11 per diluted share of after tax charges were recorded in association with these activities.

Collectively, the 2015 Restructuring and the above mentioned restructuring activities are referred to as “Restructuring and other charges.”

Also, our fourth quarter of fiscal 2017 included after-tax charges of $10.6 million, or $0.09 per diluted share in professional fees and related costs associated with the pending CH2M acquisition.

The following table summarizes the effects of Restructuring and other charges and CH2M and professional fees and integration costs in the Company's consolidated results of operations for the years ended September 29, 2017, September 30, 2016 and October 2, 2015, respectively (in thousands, except for earnings per share):

	Year Ended September 29, 2017			
	U.S. GAAP	Effects of Restructuring and Other Charges	Effects of CH2M professional fees and integration costs	Adjusted
Revenue	$10,022,788	$ 17,526	$ —	$10,040,314
Direct cost of contracts	(8,250,536)	4,913	—	(8,245,623)
Selling, general and administrative expenses	(1,379,983)	111,767	17,100	(1,251,116)
Total other income, net	948	1,233	—	2,181
Earnings before taxes	393,217	135,439	17,100	545,756
Income tax expense	(105,842)	(42,663)	(6,498)	(155,003)
Net earnings of the group	287,375	92,776	10,602	390,753
Net earnings attributable to non-controlling interests	6,352	(4,913)	—	1,439
Net earnings attributable to Jacobs	$293,727	$ 87,863	$ 10,602	$392,192
Diluted earnings per share	$2.42	$ 0.73	$ 0.09	$3.24

	Year Ended September 30, 2016		
	U.S. GAAP	Effects of 2015 Restructuring	Adjusted
Revenue	$10,964,157	$ —	$10,964,157
Direct cost of contracts	(9,196,326)	—	(9,196,326)
Selling, general and administrative expenses	(1,429,233)	187,630	(1,241,603)
Total other (expense) income, net	(51,875)	41,687	(10,188)
Earnings before taxes	286,723	229,317	516,040
Income tax expense	(72,208)	(66,225)	(138,433)
Net earnings of the group	214,515	163,092	377,607
Net earnings attributable to non-controlling interests	(4,052)	—	(4,052)
Net earnings attributable to Jacobs	$210,463	$ 163,092	$373,555
Diluted earnings per share	$1.73	$ 1.35	$3.08

Year Ended
October 2, 2015

	U.S. GAAP	Effects of 2015 Restructuring	Adjusted
Revenue	$12,114,832	$ —	$12,114,832
Direct cost of contracts	(10,146,494)	—	(10,146,494)
Selling, general and administrative expenses	(1,522,811)	154,283	(1,368,528)
Total other (expense) income, net	(15,390)	2,909	(12,481)
Earnings before taxes	430,137	157,192	587,329
Income tax expense	(101,255)	(49,278)	(150,533)
Net earnings of the group	328,882	107,914	436,796
Net earnings attributable to non-controlling interests	(25,911)	—	(25,911)
Net earnings attributable to Jacobs	$302,971	$ 107,914	$410,885
Diluted earnings per share	$2.40	$ 0.86	$3.26

Page 42

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

For the Fiscal Years Ended September 29, 2017, September 30, 2016, and October 2, 2015

(In thousands, except per share information)

	September 29, 2017	September 30, 2016	October 2, 2015
Revenues	$10,022,788	$10,964,157	$12,114,832
Costs and Expenses:			
Direct costs of contracts	(8,250,536)	(9,196,326)	(10,146,494)
Selling, general and administrative expenses	(1,379,983)	(1,429,233)	(1,522,811)
Operating Profit	392,269	338,598	445,527
Other Income (Expense):			
Interest income	8,748	7,848	7,262
Interest expense	(12,035)	(15,260)	(19,503)
Gain/(Loss) on disposal of business and investments	10,880	(41,410)	(2,909)
Miscellaneous expense, net	(6,645)	(3,053)	(240)
Total other income (expense), net	948	(51,875)	(15,390)
Earnings Before Taxes	393,217	286,723	430,137
Income Tax Expense	(105,842)	(72,208)	(101,255)
Net Earnings of the Group	287,375	214,515	328,882
Net Earnings (Loss) Attributable to Noncontrolling Interests	6,352	(4,052)	(25,911)
Net Earnings Attributable to Jacobs	$293,727	$210,463	$302,971
Net Earnings Per Share:			
Basic	$2.43	$1.75	$2.42
Diluted	$2.42	$1.73	$2.40

2017 Overview

The Company's net earnings for fiscal 2017 were $293.7 million, an increase of $83.3 million, or 39.6%, when compared to fiscal 2016. The Company’s results for the current year when compared to the prior year were favorably impacted by improving gross margins based on benefits from our improvements in project execution and favorable mix. Our results were also favorably affected by lower SG&A of $49.2 million year over year, due largely to lower costs from our 2015 Restructuring initiatives which concluded at the end of fiscal 2017, with resulting ongoing savings from these initatives helping offset higher personnel related costs and professional services. Our fiscal 2017 results were also favorably impacted in comparision to 2016 by an $11 million pre tax gain on the sale of our Neste Jacobs JV combined with the non recurrence of 2016 charges associated with the loss on sale of our French subsidiary of $24.4 million and the noncash write-off on an equity investment of $17 million. Income taxes for fiscal 2017 were higher by $33.6 million due mainly to higher pre-tax income.

On August 1, 2017, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with CH2M HILL Companies, Ltd. (“CH2M”), and Basketball Merger Sub Inc., a direct wholly-owned subsidiary of the Company (“Merger Sub”). Pursuant to and subject to the terms and conditions of the Merger Agreement, (i) Merger Sub will merge with and into CH2M, with CH2M continuing as the surviving corporation and becoming a wholly-owned subsidiary of the Company (the “Merger”) and (ii) each outstanding share of common stock of CH2M will be converted into the right to receive, at the election of the holder thereof in accordance with, and subject to, the terms, conditions and procedures set forth in the Merger Agreement, in each case without interest the following consideration: (a) the combination of (x) $52.85 in cash and (y) 0.6677 shares of common stock, par value $1.00 per share, of the Company; (b) $88.08 in cash; or (c) 1.6693 shares of the Company’s common stock. The Merger is subject to the satisfaction of customary closing conditions, including regulatory approvals and approval by CH2M stockholders, and is expected to close by the end of fiscal first quarter 2018.

On January 27, 2017, we acquired Aquenta Consulting Pty Ltd. (“Aquenta”) headquartered in Sydney, Australia, an integrated project service solutions company. Also, on August 31, 2017, we acquired Blue Canopy, LLC headquartered in Reston, Virginia. Blue Canopy provides data analytics, cybersecurity and application development.

Backlog at September 29, 2017 was $19.8 billion, up $1.0 billion over 2016 and a record level for the Company. New prospects and new sales remain strong and the Company continues to have a positive outlook for many of the industry groups and markets in which our clients operate.

On December 1, 2016, the Company announced the approval of a cash dividend program. Quarterly dividends of $0.15 per share were paid in each of the second, third and fourth quarters of fiscal 2017. On September 27, 2017, the Board of Directors declared a quarterly cash dividend of $0.15 per share, which was paid on November 10, 2017. Also, the Company repurchased and retired 2.0 million shares of its common stock under its share repurchase program for $97.2 million.

Results of Operations

Fiscal 2017 Compared to Fiscal 2016

Total revenues for the year ended September 29, 2017, were $10.02 billion, a decrease of $941.4 million, or 8.6%, from $10.96 billion for the corresponding period last year. The decrease in revenues was due primarily to lower volumes in the Petroleum & Chemicals, Aerospace & Technology and Industrial LOBs, partially offset by an increase in volume in the Buildings & Infrastructure LOB. These lower volumes were driven mainly by lower field services volume, primarily with Petroleum & Chemicals customers and the timing of project completions versus new project timing.

Direct costs of contracts for the year ended September 29, 2017 were $8.25 billion, a decrease of $945.8 million, or 10.3%, from $9.20 billion for the corresponding period last year. Direct costs of contracts include all costs incurred in connection with and directly for the benefit of client contracts, including depreciation and amortization relating to assets used in providing the services required by the related projects. The level of direct costs of contracts may fluctuate between reporting periods due to a variety of factors, including the amount of pass-through costs we incur during a period. On those projects where we are responsible for subcontract labor or third-party materials and equipment, we reflect the amounts of such items in both revenues and costs (and we refer to such costs as “pass-through costs”). On other projects where the client elects to pay for such items directly and we have no associated responsibility for such items, these amounts are not considered pass-through costs and are, therefore, not reflected in either revenues or costs. To the extent that we incur a significant amount of passthrough costs in a period, our direct costs of contracts are likely to increase as well.

Pass-through costs included in revenues for the year ended September 29, 2017 were $2.54 billion in comparison to $2.49 billion in line with amounts in the corresponding period last year. In general, pass-through costs are more significant on projects that have a higher content of field services activities. Pass-through costs are generally incurred at specific points during the life cycle of a project and are highly dependent on the needs of our individual clients and the nature of the clients’ projects. However, because we have hundreds of projects which start at various times within a fiscal year, the effect of pass-through costs on the level of direct costs of contracts can vary between fiscal years without there being a fundamental or significant change to the underlying business.

As a percentage of revenues, direct costs of contracts for the year ended September 29, 2017 was 82.3%. This compares to 83.9% for the year ended September 30, 2016. The 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 types of services provided. Generally, the more procurement we do on behalf of our clients (e.g., where we purchase equipment and materials for use on projects and/or procure subcontracts in connection with projects) and the more field services revenues we have relative to technical, professional services revenues, the higher the ratio will be of direct costs of contracts to revenues. Because revenues from pass-through cost arrangements typically have lower margin rates associated with them, it is not unusual for us to experience an increase or decrease in such revenues without experiencing a proportionate increase or decrease in our gross margins and operating profit. The reduction in cost relative to revenue is driven by both 1) our strategic focus on realigning our portfolio to higher profit businesses and 2) a reduction in field services revenue, which tends to have a lower margin, as a percent of total revenue resulting in higher margin overall.

Selling, general & administrative expenses for the year ended September 29, 2017 were $1,380.0 million, a decrease of $49.2 million, or 3.4%, from $1,429.2 million for the corresponding period last year. The decrease in SG&A expenses for the comparative annual periods was due mainly to lower Restructuring and other charges of $75.9 million and related savings from the 2015 Restructuring. These decreases were offset in part by higher year over year spending mainly in personnel related costs and professional service fees, including an additional $17 million associated with CH2M professional service fees and integration costs.

Net interest expense for the year ended September 29, 2017 was $3.3 million, a decrease of $4.1 million from $7.4 million for the corresponding period last year. The decrease in interest expense for the year ended September 29, 2017 as compared to the corresponding period last year was due primarily to the reversal of $2.5 million of accrued interest expense related to the statute expiration of a foreign tax reserve as well as higher levels of interest income.

Miscellaneous expense, net for the year ended September 29, 2017 was ($6.6) million, as compared to ($3.1) million for the corresponding period last year. This change was due primarily to a reversal in fiscal 2016 of $5.1 million of accrued penalties related to the statute expiration of a foreign tax reserve, which did not recur in fiscal 2017, offset in part by other miscellaneous charges.

Gain/(Loss) on disposal of business and investments was $10.9 million and $(41.4) million for the years ended September 29, 2017 and September 30, 2016, respectively. The reported amounts for fiscal 2017 were associated mainly with the Company's divestiture of its equity investment in Neste Jacobs Oy, a joint venture between the Company and Neste Corporation. The $(41.4) million loss on disposal in fiscal 2016 was mainly attributable to the Company's loss on the sale of our French subsidiary of $24.4 million, and a non-cash write-off on an equity investment of $17.0 million.

The Company's consolidated effective income tax rate is generally lower than the U.S. statutory rate of 35% primarily due to the impacts of favorable tax rate differences in our foreign operations. The following table reconciles total income tax expense using the statutory U.S. federal income tax rate to the consolidated income tax expense shown in the accompanying Consolidated Statements of Earnings for the years ended September 29, 2017 and September 30, 2016 (dollars in thousands):

	For the Years Ended			
	September 29, 2017	%	September 30, 2016	%
Statutory amount	$137,626	35.0%	$100,353	35.0%
State taxes, net of the federal benefit	8,955	2.3%	7,853	2.7%
Exclusion of tax on non-controlling interests	2,223	0.6%	(1,418)	(0.5%)
Foreign:				
Difference in tax rates of foreign operations	(16,987)	(4.3%)	(17,184)	(6.0%)
Benefit from foreign valuation allowance release	(3,085)	(0.8%)	(11,182)	(3.9%)
U.K. tax rate change on deferred tax assets	—	0.0%	8,853	3.1%
Nontaxable income from foreign affiliate	(3,280)	(0.8%)	—	0.0%
U.S. tax cost of foreign operations	18,612	4.7%	30,850	10.9%
Tax differential on foreign earnings	(4,740)	(1.2%)	11,337	4.1%
Foreign tax credits	(20,454)	(5.2%)	(44,018)	(15.4%)
Uncertain tax positions	(5,779)	(1.5%)	1,449	0.5%
Other items:				
IRS §179D deduction	(3,351)	(0.8%)	(2,153)	(0.8%)
IRS §199D deduction	(2,113)	(0.5%)	(2,800)	(1.0%)
Foreign partnership loss	(9,861)	(2.5%)	(2,658)	(0.9%)
Other items – net	3,336	0.7%	4,263	1.5%

Total other items	(11,989)	(3.1 %)	(3,348)	(1.2 %)
Taxes on income	$105,842	26.9%	$72,208	25.2 %

The Company’s consolidated effective income tax rate for the year ended September 29, 2017 increased to 26.9% from 25.2% for fiscal 2016. Key drivers for this year over year increase include the impacts of lower foreign tax credit benefits and lower benefits from valuation allowance releases on foreign deferred tax assets, partly offset by favorable impacts of U.S. tax cost of foreign operations, the non-recurrence of 2016 tax rate change impacts on deferred income tax assets in the UK and favorable impacts from change in uncertain tax positions.

Fiscal 2016 Compared to Fiscal 2015

Total revenues for the year ended September 30, 2016, were $10.96 billion, a decrease of $1.15 billion, or 9.5%, from $12.11 billion for the corresponding period last year. The decrease in revenues was due primarily to lower volumes in the

Petroleum & Chemicals, Aerospace & Technology and Buildings & Infrastructure LOBs, partially offset by an increase in the Industrial LOB.

Direct costs of contracts decreased $1.0 billion, or 9.4%, from $10.1 billion during fiscal 2015 to $9.2 billion during fiscal 2016. Direct costs of contracts include all costs incurred in connection with and directly for the benefit of client contracts, including depreciation and amortization relating to assets used in connection with providing the services required by client projects. The level of direct costs of contracts may fluctuate between reporting periods due to a variety of factors including the amount of pass-through costs we incur during a period. On those projects where we are responsible for subcontract labor or third party materials and equipment, we reflect the amounts of such items in both revenues and costs (and we refer to such costs as “pass-through costs”). On other projects, where the client elects to pay for such items directly and we have no associated responsibility for such items, these amounts are not considered pass-through costs and are, therefore, not reflected in either revenues or costs. To the extent that we incur a significant amount of pass-through costs in a period, our direct cost of contracts are likely to increase as well. The decrease in direct costs of contracts between fiscal years 2015 and 2016 is primarily a result of the general decline in our business.

Pass-through costs decreased $112.7 million, or 4.3%, from $2.6 billion during fiscal 2015 to $2.5 billion for fiscal 2016. In general, pass-through costs are more significant on projects that have a higher content of field services activities. Pass-through costs are generally incurred at a specific point in the lifecycle of a project and are highly dependent on the needs of our individual clients and the nature of the clients’ projects. However, because we have hundreds of projects, which start at various times within a fiscal year, the effect of pass-through costs on the level of direct costs of contracts, can vary between fiscal years without there being a fundamental or significant change to the underlying business.

As a percentage of revenues, direct costs of contracts were 83.9% for fiscal 2016, compared to 83.8% for fiscal 2015. The 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 types of services provided. Generally speaking, the more procurement we do on behalf of our clients (i.e., where we purchase equipment and materials for use on projects, and/or procure subcontracts in connection with projects) and the more field services revenues we have relative to technical, professional services revenues, the higher the ratio will be of direct costs of contracts to revenues. Because revenues from pass-through costs typically have lower margin rates associated with them, it is not unusual for us to experience an increase or decrease in such revenues without experiencing a corresponding increase or decrease in our gross margins and operating profit. The ratio of direct costs of contracts to revenues was flat over the prior year period. The Company experienced a slight decrease in margins in fiscal 2016 when compared to fiscal 2015.

SG&A expenses for fiscal 2016 decreased by $93.6 million, or 6%, to $1.43 billion, compared to $1.52 billion for fiscal 2015. The decrease in SG&A expenses was primarily due to higher SG&A savings associated with the 2015 Restructuring. Excluding the effects of the 2015 Restructuring in both fiscal 2016 and 2015, adjusted SG&A expenses for fiscal 2016 decreased $126.9 million, or 9%, to $1.24 billion from $1.37 billion in fiscal 2015.

Net interest expense for fiscal 2016 decreased $4.8 million to $7.4 million from $12.2 million in fiscal 2015. Included in net interest expense for fiscal 2016 was a reversal of $2.7 million of accrued interest expense related to the expiration of the statutue of limitations relating to a foreign tax reserve. Interest expense for fiscal 2016 was also lower when compared to the same period last year due to lower debt levels.

Loss on disposal of business and investments for fiscal 2016 increased by $38.5 million to $41.4 million from $2.9 million in fiscal 2015. The increase is due to the previously discussed fiscal 2016 loss items on the sale of our French subsidiary of $24.4 million, and a non-cash write-off on an equity investment of $17.0 million.

Miscellaneous expense for fiscal 2016 increased $2.8 million to $3.1 million from $0.2 million in fiscal 2015. The increase over the prior year period was primarily due to realized exchange rate losses. Included in miscellaneous expense for fiscal 2016 was a reversal of $5.1 million of accrued penalties related to the expiration of the statute of limitations relating to a foreign tax reserve.

The Company's consolidated effective income tax rate is generally lower than the U.S. statutory rate of 35% primarily due to the impacts of favorable tax rate differences in our foreign operations. The following table reconciles total income tax expense using the statutory U.S. federal income tax rate to the consolidated income tax expense shown in the accompanying Consolidated Statements of Earnings for the years ended September 30, 2016 and October 2, 2015 (dollars in thousands):

	For the Years Ended			
	September 30, 2016	%	October 2, 2015	%
Statutory amount	100,353	35.0 %	$150,548	35.0%
State taxes, net of the federal benefit	7,853	2.7 %	12,857	3.0 %
Exclusion of tax on non-controlling interests	(1,418)	(0.5 %)	(9,069)	(2.1 %)
Foreign:				
Difference in tax rates of foreign operations	(17,184)	(6.0 %)	(19,180)	(4.5 %)
Benefit from foreign valuation allowance release	(11,182)	(3.9 %)	(3,372)	(0.8 %)
Tax deductible foreign currency loss	—	0.0 %	(23,100)	(5.4 %)
U.K. tax rate change on deferred tax assets	8,853	3.1 %	—	0.0 %
U.S. tax cost of foreign operations	30,850	10.9 %	6,814	1.6 %
Tax differential on foreign earnings	11,337	4.1 %	(38,838)	(9.0 %)
Foreign tax credits	(44,018)	(15.4%)	(21,313)	(5.0 %)
Uncertain tax positions	1,449	0.5 %	2,281	0.5 %
Other items:				
IRS §179D deduction	(2,153)	(0.8 %)	—	0.0 %
IRS §199D deduction	(2,800)	(1.0 %)	(4,582)	(1.1 %)
Foreign partnership (loss)/income	(2,658)	(0.9 %)	11,858	2.8 %
Other items – net	4,263	1.5 %	(2,487)	(0.6 %)
Total other items	(3,348)	(1.2 %)	4,789	1.1 %
Taxes on income	72,208	25.2 %	$101,255	23.5%

The Company's consolidated effective income tax rate for the year ended September 30, 2016 increased to 25.2% from 23.5% for fiscal 2015. The primary components of this increase in tax rate were due mainly to unfavorable impacts from U.S. tax cost of foreign operations, the non-recurrence of tax deductible foreign currency losses in fiscal 2015, unfavorable impacts from U.K. tax rates changes on deferred tax assets and other unfavorable items. These unfavorable impacts on the tax rate were partly offset by favorable foreign tax credits year over year, favorable income levels from our foreign partnerships in 2016 and comparably higher benefits from foreign valuation allowance releases in fiscal 2016.

Segment Financial Information

The following table provides selected financial information for our operating segments and includes a reconciliation of segment operating profit to total U.S. GAAP operating profit by including certain corporate-level expenses and expenses relating to Restructuring and other charges and CH2M professional fees and integration costs (in thousands).

	For the Years Ended		
	September 29, 2017	September 30, 2016	October 2, 2015
Revenues from External Customers:			
Aerospace & Technology	$2,360,613	$2,657,433	$2,924,753
Buildings & Infrastructure	2,452,321	2,253,512	2,458,379
Industrial	2,743,662	2,793,713	2,517,571
Petroleum & Chemicals	2,466,192	3,259,499	4,214,129
Total	$10,022,788	$10,964,157	$12,114,832

Page 47

	For the Years Ended		
	September 29, 2017	September 30, 2016	October 2, 2015
Operating Profit:			
Aerospace & Technology	$202,595	$203,808	$205,368
Buildings & Infrastructure (1)	193,455	174,648	145,299
Industrial	115,262	81,268	126,531
Petroleum & Chemicals	113,858	126,604	138,351
Total Segment Operating Profit	625,170	586,328	615,549
Other Corporate Expenses	(81,595)	(60,100)	(15,739)
Restructuring and Other Charges	(134,206)	(187,630)	(154,283)
CH2M Professional Fees and Integration Costs	(17,100)	—	—
Total U.S. GAAP Operating Profit	392,269	338,598	445,527
Gain/(Loss) on disposal of business and investments	10,880	(41,410)	(2,909)
Total Other (Expense) income (2)	(9,932)	(10,465)	(12,481)
Earnings Before Taxes	$393,217	$286,723	$430,137

(1) Excludes $23,844 in Restructuring and other charges for the fiscal year ended September 29, 2017.

(2) Years ending September 29, 2017 and September 30, 2016 include Restructuring and other charges of $1,233 and $277, respectively.

In evaluating the Company’s performance by operating segment, the CODM reviews various metrics and statistical data for each LOB but focuses primarily on revenues and operating profit. As discussed above, segment operating profit includes not only local SG&A expenses but the SG&A expenses of the Company’s support groups that have been allocated to the segments. In addition, the Company attributes each LOB’s specific incentive compensation plan costs to the LOBs. The revenues of certain LOBs are more affected by pass-through revenues than other LOBs. The methods for recognizing revenue, incentive fees, project losses, and change orders are consistent among the LOBs.

Aerospace & Technology

	September 29, 2017	September 30, 2016	October 2, 2015
Revenue	$2,360,613	$2,657,433	$2,924,753
Operating Profit	202,595	203,808	205,368

Aerospace & Technology segment revenues for the year ended September 29, 2017 were $2.36 billion, down $296.8 million, or 11.2%, from $2.66 billion for the corresponding period last year. The decrease in revenues was mainly in our U.S. government business sector, where rebid losses and small business award preferences drove the declines. Unfavorable foreign currency impacts of approximately $13 million also contributed to this year over year decline. These unfavorable items were partially offset by positive gains from organic growth and improvement in our telecommunications sector, our NASA projects and our projects for the Ministry of Defence in Australia.

Aerospace & Technology revenues for the fiscal year ended September 30, 2016 were $2.66 billion, down $267.3 million, or 9.1%, from $2.92 billion in fiscal 2015. The decrease was due mainly to the impact of certain of our U.S. government customers' shift to a small-business preference in contract awards of approximately $281 million, offset slightly by stronger revenues in our U.K. nuclear and defense markets of approximately $14 million.

Operating profit for the Aerospace & Technology segment was $202.6 million for the year ended September 29, 2017, down $1.2 million, or 0.6%, from $203.8 million for the year ended September 30, 2016. This decrease in profitability was due primarily to the revenue declines in the U.S. government business sector mentioned above, as well as lower equity income from our U.K. joint venture for the comparative periods mainly associated with year over year declines in project funding.

Aerospace and Technology operating profit for the year ended September 30, 2016 was $203.8 million, down $1.6 million, or 0.8%, from $205.4 million in fiscal 2015. The slight decrease in operating profit was due mainly to the U.S.

government customer shifts in fiscal 2016 described above but was mostly mitigated by improving our performance on fixed price contracts, which increased operating profit by $14.5 million over the comparable prior year period.

Buildings & Infrastructure

	September 29, 2017	September 30, 2016	October 2, 2015
Revenue	$2,452,321	$2,253,512	$2,458,379
Operating Profit	193,455	174,648	145,299

Buildings & Infrastructure revenues for the year ended September 29, 2017 were $2.45 billion, an increase of $198.8 million, or 8.8%, versus $2.25 billion for the comparable period in 2016. The year over year increases in revenues was due mainly to U.S. client spending level increases in the project-management/construction-management ("PMCM") market. Year over year impacts on revenues from unfavorable foreign currency were approximately $36 million.

Buildings & Infrastructure revenues for the year ended September 30, 2016 was $2.3 billion, a decrease of $204.9 million, or 8.3%, from $2.5 billion in fiscal 2015. The decrease was primarily due to reduced U.S. and U.K. client spending in certain markets during fiscal 2016.

Operating profit for Buildings & Infrastructure for the year ended September 29, 2017 was $193.5 million, up $18.8 million, or 10.8%, compared to $174.6 million for 2016. Excluded from the presented operating profit amounts for the year ending September 29, 2017 were $23.8 million in Restructuring and other charges related to strategic business restructuring activities in our U.K, Middle East and Europe businesses. Increases in profitability for the period in 2017 over 2016 were due mainly to higher revenue from the U.S. PMCM projects, partially offset by charges from a contract settlement of $6.0 million.

Operating profit for the year ended September 30, 2016 were $174.6 million, an increase of $29.3 million, or 20.2%, from $145.3 million for 2015. Proactive cost control and restructuring efforts contributed to the increase in operating profit for fiscal 2016 as compared to the corresponding period last year. As a result, operating margin for fiscal 2016 improved to 7.8%, compared to 5.9%, in fiscal 2015.

Industrial

	September 29, 2017	September 30, 2016	October 2, 2015
Revenue	$2,743,662	$2,793,713	$2,517,571
Operating Profit	115,262	81,268	126,531

Industrial revenues for the year ended September 29, 2017 were $2.74 billion versus $2.79 billion for the same period in 2016, down $50.1 million, or 1.8%. The decrease in revenues was due mainly to revenue declines from Field Services project completions, weaker market conditions in the Mining & Minerals businesses and unfavorable foreign currency impacts, partially offset by improvements in higher revenues associated with increased client major capex spending in the Life Sciences business.

Industrial revenues for the year ended September 30, 2016 were $2.79 million, an increase of $276.1 million, or 11.0%, from $2.5 billion in fiscal 2015. The increase was primarily due to new Life Sciences projects offset by a decline in the Mining & Minerals business due to weak market conditions.

Operating profit for the year ended September 29, 2017, was $115.3 million, up $34.0 million, or 41.8%, from $81.3 million for the corresponding period last year. The increase in profitability was due mainly to improved project performance in the Mining & Minerals business and higher levels of professional service and project procurement business in the Life Sciences business. Year over year profit comparisons were also impacted by unfavorable charges in the second quarter fiscal 2016 associated with litigation settlements and a customer bankruptcy amounting to $12.2 million.

Operating profit for the year ended September 30, 2016 was $81.3 million, a decrease of $45.3 million, or 35.8%, from $126.5 million, in fiscal 2015. The decrease was due to the decline in the Mining & Minerals business and was caused primarily by a negotiated settlement of a project claim that occurred in the second quarter of fiscal 2015 combined with the negative effects of a litigation settlement affecting the second quarter of fiscal 2016 and a customer bankruptcy. These decreases were offset in part by the increases in the Life Sciences market and benefits associated with the 2015 Restructuring. Although driven by discrete items in each of the periods presented, the change in operating profit was negative. As a result, operating margin for fiscal 2016 declined to 2.9% from 5.0% for the corresponding period last year.

Petroleum & Chemicals

	September 29, 2017	September 30, 2016	October 2, 2015
Revenue	$2,466,192	$3,259,499	$4,214,129
Operating Profit	113,858	126,604	138,351

Petroleum & Chemicals revenues for the year ended September 29, 2017 were $2.45 billion, a decrease of $793.3 million, or 24.3%, from $3.26 billion for the same period in 2016. The decrease in revenues for the year ended September 29, 2017 as compared to the prior year was due primarily to the completion or wind-down of several projects with significant pass-through revenue as well as award delays of large post front-end engineering and design projects, as clients continue to evaluate their capital spending plans as oil prices remained low. Both of these factors resulted in lower field service revenues compared with the prior year periods, while client investment spending continues primarily on compliance, maintenance and sustaining capital programs. Additionally, foreign currency impacts were unfavorable of approximately $18 million on year over year revenue comparisons for fiscal 2017 versus fiscal 2016.

Petroleum & Chemicals revenues for the year ended September 30, 2016 were $3.26 billion, a decrease of $954.6 million, or 22.7%, from $4.2 billion in fiscal 2015. The decrease was primarily due to lower business volume in the Oil & Gas market sector and to a lesser extent the Refining market sector, particularly in the Middle East and North America, as weak oil prices have significantly impacted client capital spending and delayed the pace of new contract awards.

Operating profit for the year ended September 29, 2017 was $113.9 million, a decrease of $12.7 million, or 10.1%, from $126.6 million for the corresponding period last year. The decrease in profitability as compared to the prior year period was due mainly to revenue declines from lower business volumes mentioned above, offset in part by SG&A savings from restructuring efforts and a one-time $9.9 million benefit associated with benefit plan changes in our India operations.

Operating profit for the year ended September 30, 2016 was $126.6 million, down $11.7 million, or 8.5%, from $138.4 million in fiscal 2015. The decrease in operating profit primarily was due to lower volume in the Oil and Gas and Refining market sectors offset in part by significant savings from restructuring efforts and LOB structure efficiencies. A continued strong focus on cost reductions has partially mitigated the volume reduction impact on operating profit. As a result, operating margin for the year ended September 30, 2016 increased to 3.9% from 3.3% in fiscal 2015.

Other Corporate Expenses

Other corporate expenses were $81.6 million, $60.1 million and $15.8 million for the years ended September 29, 2017, September 30, 2016 and October 2, 2015. The increases across the respective years were due mainly to higher spending in personnel related costs and outside services, offset by savings from the 2015 Restructuring program.

Included in other corporate expenses in the above table are costs and expenses which relate to general corporate activities as well as corporate-managed benefit and insurance programs. Such costs and expenses include: (i) those elements of SG&A expenses relating to the business as a whole; (ii) those elements of our incentive compensation plans relating to corporate personnel whose other compensation costs are not allocated to the LOBs; (iii) the amortization of intangible assets acquired as part of purchased business combinations; (iv) the quarterly variances between the Company's actual costs of certain of its self-insured integrated risk and employee benefit programs and amounts charged to the LOBs; and (v) certain adjustments relating to costs associated with the Company's international defined benefit pension plans. In addition, other corporate expenses may also include from time to time certain adjustments to contract margins (both positive and negative) associated with projects where it has been determined, in the opinion of management, that such adjustments are not indicative of the performance of the related LOB.

Backlog Information

We include in backlog the total dollar amount of revenues we expect to record in the future as a result of performing work under contracts that have been awarded to us. Our policy with respect to O&M contracts, however, is to include in backlog the amount of revenues we expect to receive for one succeeding year, regardless of the remaining life of the contract. For national government programs (other than national government O&M contracts), our policy is to include in backlog the full contract award, whether funded or unfunded, excluding option periods. Because of the nature, size, expected duration, funding commitments, and the scope of services required by our contracts, the timing of when backlog will be recognized as revenues can vary greatly between individual contracts.

Consistent with industry practice, substantially all of our contracts are subject to cancellation or termination at the option of the client. While management uses all information available to it to determine backlog, at any given time our backlog 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. Backlog is not necessarily an indicator of future revenues.

Because certain contracts (e.g., contracts relating to large EPC projects as well as national government programs) can cause large increases to backlog in the fiscal period in which we recognize the award, and because many of our contracts require us to provide services that span over a number of fiscal quarters (and sometimes over fiscal years), we evaluate our backlog on a year-over-year basis, rather than on a sequential, quarter-over-quarter basis.

Please refer to Item 1A— Risk Factors, above, for a discussion of other factors that may cause backlog to ultimately convert into revenues at different amounts.

The following table summarizes our backlog for the years ended September 29, 2017, September 30, 2016 and October 2, 2015 (in millions):

Backlog:	September 29, 2017	September 30, 2016	October 2, 2015
Aerospace & Technology	$6,231,426	$5,109,973	$4,880,775
Buildings & Infrastructure	5,412,377	5,033,539	4,723,034
Industrial	2,836,854	3,106,575	3,650,520
Petroleum & Chemicals	5,307,956	5,510,442	5,552,241
Total	$19,788,613	$18,760,529	$18,806,570

Increases in backlog in Aerospace & Technology for the years presented were primarily the result of new awards from the U.S. federal government.

Increases in backlog in Building & Infrastructure for the years presented were primarily the result of new awards in the U.S. market.

Decreases in backlog in the Industrial line of business resulted mainly from a large cancellation in the Life Sciences area and strong revenue realization associated with large pharma projects for fiscal 2017 versus fiscal 2016. The decrease from fiscal 2015 to fiscal 2016 was primarily related to a lower level of field services awards.

The decrease in backlog in Petroleum & Chemicals from fiscal 2016 to fiscal 2017 was due mainly to continuing weakness in the upstream market, partly offset by strong performance in chemicals backlog. The decrease from fiscal

2015 to fiscal 2016 was primarily related to weak oil prices affecting our customers’ capital spend.

Backlog relating to work to be performed either directly or indirectly for the U.S. federal government and its agencies totaled approximately $4.6 billion (or 23.2% of total backlog), $4.8 billion (or 25.4% of total backlog) and $4.6 billion (or 23.9% of total backlog) at September 29, 2017, September 30, 2016 and October 2, 2015, respectively. Most of our federal government contracts require that services be provided 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 the U.S. Congress to the procuring agency, and then the agency must allot these sums to the specific contracts).

We estimate that approximately $7 billion, or 35%, of total backlog at September 29, 2017 will be realized as revenues within the next fiscal year.

Liquidity and Capital Resources

At September 29, 2017, our principal sources of liquidity consisted of $774.2 million of cash and cash equivalents, $1.3 billion of available borrowing capacity under our $1.6 billion 2014 revolving credit facility (the "Revolving Credit Facility") and $1.5 billion of available borrowings under our Term Loan Facility (defined below). Additional information regarding the Revolving Credit Facility and the Term Loan Facility is set forth in Note 6 - Borrowings in Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K. We finance much of our operations and growth through cash generated by our operations.

On September 28, 2017, the Company entered into a $1.5 billion unsecured delayed-draw term loan facility (the "Term Loan Facility") with a syndicate of financial institutions as lenders and letter of credit issuers. Subject to certain terms and conditions set forth therein, loans under the Term Loan Facility may be incurred on the day the CH2M acquisition is consummated in order to pay cash consideration for the transaction, and to pay fees and expenses related to the acquisition and the Term Loan Facility.

The Company intends to finance the cash consideration for the CH2M acquisition, the repayment of CH2M's outstanding indebtedness and other transaction expenses with a combination of cash on hand and debt financing, which includes Term Loan Facility in an aggregate principal amount of $1.5 billion and additional borrowings under the Revolving Credit Facility. The Company currently estimates that the aggregate principal amount of indebtedness to be incurred in connection with the acquisition will be approximately $1.9 billion.

At September 29, 2017, our cash and cash equivalents were $774.2 million, an increase of $118.4 million from $655.7 million at September 30, 2016. This compares to a net increase of $194.9 for the year ended September 30, 2016.

The most significant factors contributing to the net increase in cash and cash equivalents for fiscal 2017 from fiscal 2016 were favorable cash from operations of $574.9 million, partly offset by cash outflows from investing activities of $236.2 million, $242.6 million in cash used in financing activities and unfavorable effects of exchange rate changes of $22.3 million. On a comparative basis, cash and cash equivalents increased $194.9 million from fiscal 2015 to fiscal 2016 mainly from cash generated from operating activities of $680.2 million, partly offset by cash used in investing activities of $139.6 million, cash used in financing activities of $317.0 million and unfavorable effects of exchange rate changes of $28.7 million.

Our cash from operations for the year ended September 29, 2017 was $574.9 million, down $105.3 million from the corresponding period of 2016. This net decrease was mainly associated with increases in net working capital of $206.1 million (mainly higher accounts receivable and offset in part by higher accounts payable), partly offset by higher net earnings of $72.9 million, favorable cash flows from other deferred liabilities of $34.8 million and other operating cash items. Our cash from operations for the year ended September 30, 2016 was $680.2 million, up $195.6 million from the corresponding period of 2015. This net increase was mainly associated with decreases in working capital of $373.1 million (mainly lower accounts receivable and increases in billings in excess of costs), offset in part by lower net earnings of $114.4 million and other operating cash items.

With respect to the Company's working capital accounts, the Company's cash flows from operations are greatly affected by the cost-plus nature of our customer contracts. Because such a high percentage of our revenues are earned on cost-plus type contracts, and due to the significance of revenues relating to pass-through costs, most of the costs we incur are included in invoices we send to clients. Although we continually monitor our accounts receivable, we manage the operating cash flows of the Company by managing the working capital accounts in total, rather than by the individual elements. The primary elements of the Company's working capital accounts are accounts receivable, accounts payable, and billings in excess of cost. Accounts payable consist of obligations to third parties relating primarily to costs incurred for projects which are generally billable to clients. Accounts receivable consist of amounts due from our clients of which a substantial portion are for project-related costs. Billings in excess of cost consist of billings to and payments from our clients for costs yet to be incurred.

This relationship between revenues and costs, and between receivables and payables, is unique to our industry, and facilitates review of our liquidity at the total working capital level.

With respect to the Company’s trade accounts receivable, while our credit risk could be significant based on the fact that we provide services to clients operating in a wide range of industries as well as in a number of countries outside the U.S., we manage these issues closely to reduce exposures as much as possible and historically have not experienced material losses. Our private sector customers include large, well-known, and well-established multi-national companies, and our government customers consist of national, state, and local agencies located principally in the U.S., the U.K., and Australia. Although we have not historically experienced significant collection issues with our governmental or commercial customers, we continue to monitor our credit policies with our customers in the markets we serve.

Our cash used in investing activities for the year ended September 29, 2017 was $236.2 million, up $96.6 million from the corresponding period of 2016. This net increase in cash used was due mainly to higher levels of acquisition spend of $100.2 million and higher capex of $50.4 million, partly offset by proceeds from the sale of our Neste Jacobs joint venture. Our cash used in investing activities for the year ended September 30, 2016 was $139.6 million, up $43.5 million from the corresponding period of 2015. This net increase in cash used was due mainly to higher levels of spend on acquisitions and divestitures of $60.9 million, offset in part by lower capex of $20.7 million.

Our cash used in financing activities for the year ended September 29, 2017 was $242.6 million, down $74.4 million from the corresponding period of 2016. This net decrease increase in cash used was mainly attributable to lower net cash activity of long-term borrowings of $38.4 million and lower cash spend in common stock repurchases of $55.4 million, offset in part mainly by dividends of $54.2 million paid in 2017. Our cash used in financing activities for the year ended September 30, 2016 was $317.0 million, down $236.3 million from the corresponding period of 2015. This net decrease increase in cash used was mainly attributable to lower cash spent on common stock repurchases of $269.8 million, offset in part mainly by higher net cash used in long-term borrowings activity of $52.7 million.

The Company had $774.2 million of cash and cash equivalents at September 29, 2017. Of this amount, approximately $124.1 million was held in the U.S. and $650.1 million was held outside of the U.S. (primarily in the U.K., the Eurozone, Chile, and India) and was used primarily for funding operations in those regions. Other than the tax cost of repatriating funds to the U.S. (see Note 10— Income Taxes of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K), there are no impediments to repatriating these funds to the U.S.

The Company had $262.1 million in letters of credit outstanding at September 29, 2017. Of this amount, $2.5 million was issued under the Revolving Credit Facility and $259.6 million was issued under separate, committed and uncommitted letter-of-credit facilities.

We believe we have adequate liquidity and capital resources to fund our operations, support our acquisition strategy, service our debt, and pay dividends for the next twelve months. We believe that the capacity, terms and conditions of the Revolving Credit Facility and the Term Loan Facility, combined with cash on-hand and the other committed and uncommitted facilities we have in place, are adequate for our working capital and general business requirements for the next twelve months.

Contractual Obligations

The following table sets forth certain information about our contractual obligations as of September 29, 2017 (in thousands):

		Payments Due by Fiscal Period			
	Total	1 Year or Less	1 - 3 Years	3 - 5 Years	More than 5 Years
Debt obligations	$238,071	$3,071	$235,000	—	$—
Operating leases (a)	768,104	139,967	251,816	202,052	174,269
Obligations under defined benefit pension plans (b)	254,483	23,874	47,607	52,510	130,492
Obligations under nonqualified deferred compensation plans (c)	135,996	27,159	57,620	51,217	—
Purchase obligations (d)	1,333,934	1,333,934	—	—	—
Interest (e)	13,568	4,065	7,865	1,638	—
Total	$2,744,156	$1,532,070	$599,908	$307,417	$304,761

(a) Assumes the Company will make the end of lease term residual value guarantee payment of $62.4 million in 2025 with respect to the lease of an office building in Houston, Texas. Please refer to Note 11— Commitments and Contingencies, and Derivative Financial Instruments of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

(b) Assumes that future contributions will be consistent with amounts projected to be contributed in fiscal 2017, allowing for certain growth based on rates of inflation and salary increases, but limited to the amount recorded as of September 29, 2017. Actual contributions will depend on a variety of factors, including amounts required by local laws and regulations, and other funding requirements.

(c) Assumes that future payments will be consistent with amounts paid in fiscal 2017. Due to the nonqualified nature of the plans, and the fact that benefits are based in part on years of service, the payments included in the schedule were limited to the amount recorded as of September 29, 2017.

(d) Represents those liabilities estimated to be under firm contractual commitments as of September 29, 2017; primarily accounts payable, accrued payroll and accrued dividends.

(e) Determined based on borrowings outstanding at the end of fiscal 2017 using the interest rates in effect at that time and, for our outstanding long term debt, concluding with the expiration date of the Revolving Credit Facility, as defined below.

Merger Agreement

On August 1, 2017, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with CH2M HILL Companies, Ltd. (“CH2M”), and Basketball Merger Sub Inc., a direct wholly-owned subsidiary of the Company (“Merger Sub”). Pursuant to and subject to the terms and conditions of the Merger Agreement, (i) Merger Sub will merge with and into CH2M, with CH2M continuing as the surviving corporation and becoming a wholly-owned subsidiary of the Company (the “Merger”) and (ii) each outstanding share of common stock of CH2M will be converted into the right to receive, at the election of the holder thereof in accordance with, and subject to, the terms, conditions and procedures set forth in the Merger Agreement, in each case without interest the following consideration: (a) the combination of (x) $52.85 in cash and (y) 0.6677 shares of common stock, par value $1.00 per share, of the Company; (b) $88.08 in cash; or (c) 1.6693 shares of the Company’s common stock.

The Merger is subject to the satisfaction of customary closing conditions, including without limitation, approval by CH2M stockholders. For risks related to the Merger, see Item 1A-Risk Factors above.

Effects of Inflation and Changing Prices

The effects of inflation and changing prices on our business is discussed in Item 1A— Risk Factors, and is incorporated herein by reference.

Off-Balance Sheet Arrangements

We are party to financial instruments with off-balance sheet risk in the form of guarantees not reflected in our balance sheet that arise in the normal course of business. However, such off-balance sheet arrangements are not reasonably likely to have an effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or resources that are material to investors. See Note 11 – Commitments and Contingencies and Derivative Financial Instruments of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

New Accounting Pronouncements

Revenue Recognition

From time to time, the Financial Accounting Standards Board ("FASB") issues accounting standards updates (each an "ASU") to its Accounting Standards Codification ("ASC"), which constitutes the primary source of U.S. GAAP. The Company regularly monitors ASUs as they are issued and considers their applicability to its business. All ASUs applicable to the Company are adopted by the due date and in the manner prescribed by the FASB.

In May 2014, the FASB issued ASU No. 2014-09— Revenue from Contracts with Customers. The new guidance provided by ASU 2014-09 is intended to remove inconsistencies and perceived weaknesses in the existing revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability, provide more useful information and simplify the preparation of financial statements. ASU 2014-09 was initially effective for annual and interim reporting periods beginning after December 15, 2016. In July, 2015, the FASB approved a one-year deferral of the effective date of this standard. The revised effective date for the standard is for annual reporting periods beginning after December 15, 2017 and interim periods therein. The FASB also approved changes allowing for early adoption of the standard as of the original effective date.

The Company's adoption activities will be performed over three phases: (i) assessment, (ii) design, and (iii) implementation. Our assessment phase is substantially complete. The following are the potential significant differences identified during the assessment phase:

Performance Obligations

Under current U.S. GAAP the Company typically considers engineering and construction services as separate performance obligations. Under ASU 2014-09, the Company has determined, in most instances, it is likely that engineering and construction services will be required to be combined into a single performance obligation. In these instances, this will likely change the timing and pattern of revenue recognition.

Contract Modifications

In many instances, the Company enters into contracts for construction services subsequent to entering in to engineering services contracts. Under ASU 2014-09, the construction services contract may be deemed to modify the engineering contract, or may be required to be combined with the engineering contract. This modification or combination of contracts may result in a cumulative catchup adjustment, which will have an immediate impact on the Company's results of operations in the period the contract combination or modification occurs. In addition, it will change the timing and pattern of revenue recognition after the period the contracts have been combined or modified.

The Company currently intends to adopt the new standard using the Modified Retrospective application. This standard could have a significant impact on the Company's Consolidated Financial Statements and an administrative impact on its operations and will depend on the magnitude of the items discussed above. The Company will continue to evaluate the impact through the design and implementation phases.

Lease Accounting

In February 2016, the FASB issued ASU 2016-02—Leases. ASU 2016-02 requires lessees to recognize assets and liabilities for most leases. ASU 2016-02 is effective for public entity financial statements for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early adoption is permitted, including adoption in an interim period. The guidance must be adopted using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is evaluating the impact of the new guidance on its consolidated financial statements. This standard could have a significant administrative impact on its operations, and the Company will further assess the impact through its implementation program.

Employee Share-Based Payment Accounting

In March 2016, the FASB issued ASU 2016-09—Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period for which financial statements have not been issued or made available for issuance. If an entity early adopts the amendments in an interim period, any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is evaluating the impact of the new guidance on its consolidated financial statements and does not plan to early adopt this pronouncement.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not enter into derivative financial instruments for trading, speculation or other purposes that would expose the Company to market risk. In the normal course of business, our results of operations are exposed to risks associated with fluctuations in interest rates and currency exchange rates.

Interest Rate Risk

Please refer to the discussion of the Revolving Credit Facility and the Term Loan Facility in the liquidity and capital resources discussion in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K, and Note 6 - Borrowings in Notes to Consolidated Financial Statements beginning on Page F-1 of this Annual report on Form 10-K.

Foreign Currency Risk

In situations where our operations incur contract costs in currencies other than their functional currency, we attempt to have a portion of the related contract revenues denominated in the same currencies as the costs. In those situations where revenues and costs are transacted in different currencies, we sometimes enter into foreign exchange contracts in order to limit our exposure to fluctuating foreign currencies. We follow the provisions of ASC 815-10 - Derivatives and Hedging in accounting for our derivative contracts. The Company does not currently have exchange rate sensitive instruments that would have a material effect on our consolidated financial statements or results of operations.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is submitted as a separate section beginning on page F-1of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as defined by Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of September 29, 2017, the end of the period covered by this Annual Report on Form 10-K (the “Evaluation Date”). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were functioning effectively as of the Evaluation Date to provide reasonable assurance that the information required to be disclosed by the Company in reports filed or submitted under the

Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining for the Company adequate internal controls over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Management, with the participation of its Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of the Company's internal control over financial reporting as of the Evaluation Date based on the framework established in "Internal Control—Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this evaluation, management has concluded that the Company's internal controls over financial reporting as of the Evaluation Date were effective. The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting which appears later in this Annual Report on Form 10-K.

Changes in Internal Control

There were no changes in the Company's internal control over financial reporting during the Company's fiscal quarter ended September 29, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Effectiveness of Controls

The Company's management, including its Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures or its system of internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed or operated, can provide only reasonable, but not absolute, assurance that the objectives of the system of internal control are met. The design of the Company's control system reflects the fact that there are resource constraints, and that the benefits of such control systems must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control failures and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the intentional acts of individuals, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events, and there can be no assurance that the design of any particular control will always succeed in achieving its objective under all potential future conditions.

Item 9B. OTHER INFORMATION
None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE
Directors, Executive Officers, Promoters and Control Persons

The information required by Paragraph (a), and Paragraphs (c) through (g) of Item 401 of Regulation S-K (except for information required by Paragraph (e) of that Item to the extent the required information pertains to our executive officers) and Item 405 of Regulation S-K is set forth under the captions "Members of the Board of Directors," "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year and is incorporated herein by reference. The information required by Paragraph (b) of Item 401 of Regulation S-K, as well as the information required by Paragraph (e) of that Item to the extent the required information pertains to our executive officers, is set forth in Part I, Item 1 of this Annual Report on Form 10-K under the heading "Executive Officers of the Registrant."

Code of Ethics

We have adopted a code of ethics for our Chief Executive Officer and senior financial officers; a code of business conduct and ethics for members of our Board of Directors and corporate governance guidelines. The full text of these codes of ethics and corporate governance guidelines are available at our website at www.jacobs.com. In the event we make any amendment to, or grant any waiver from, a provision of the code of ethics that applies to the principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable SEC rules, we will disclose such amendment or waiver and the reasons therefor on our website. We will provide any person without charge a copy of any of the aforementioned codes of ethics upon receipt of a written request. Requests should be addressed to: Jacobs Engineering Group Inc., 1999 Bryan Street, Suite 1200, Dallas, Texas 75201, Attention: Corporate Secretary.

Corporate Governance

The information required by Items 407(d)(4) and (d)(5) of Regulation S-K is set forth under the caption "Corporate Governance" in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year and is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION
The information required by this Item is set forth under the captions "Corporate Governance," "Compensation Committee Report," "Compensation Discussion and Analysis," and "Executive Compensation" in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS
Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents certain information about our equity compensation plans as of September 29, 2017:

	Column A	Column B	Column C
Plan Category	Number of securities to	Weighted- average	Number of securities remaining
	be issued upon	exercise price of	available for future issuance under

	exercise of outstanding options, warrants, and rights	outstanding options, warrants, and rights	equity compensation plans (excluding securities reflected in Column A)
Equity compensation plans approved by shareholders (a)	2,516,825	$ $46.19	7,664,358
Equity compensation plans not approved by shareholders	—	—	—
Total	2,516,825	$ $46.19	7,664,358

(a) The number in Column A excludes purchase rights accruing under our two, broad-based, shareholder-approved employee stock purchase plans: The Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan, as amended and restated (the “1989 ESPP”), and the Global Employee Stock Purchase Plan, as amended and restated (the “GESPP”). These plans give employees the right to purchase shares at an amount and price that are not determinable until the end of the specified purchase periods, which occur monthly. Our shareholders have authorized a total of 32.3 million shares of common stock to be issued through the 1989 ESPP and the GESPP. From the inception of the 1989 ESPP and the GESPP through September 29, 2017, a total of 27.6 million shares have been issued, leaving 4.7 million shares of common stock available for future issuance at that date.

The information required by Item 403 of Regulation S-K is set forth under the caption “Security Ownership” in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is set forth under the captions “Members of The Board of Directors,” “Corporate Governance,” and “Certain Relationships and Related Transactions” in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is set forth under the captions “Report of the Audit Committee” and “Audit and Non-Audit Fees” in our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

(1) The Company's Consolidated Financial Statements at September 29, 2017 and September 30, 2016 and for each of the three years in the period ended September 29, 2017, September 30, 2016 and October 2, 2015 and the notes thereto, together with the report of the independent auditors on those Consolidated Financial Statements are hereby filed as part of this report, beginning on page F-1.

(2) Financial statement schedules – no financial statement schedules are presented as the required information is either not applicable, or is included in the consolidated financial statements or notes thereto.

(3) See Exhibit Index below.

(b) Exhibit Index:

2.1 Agreement and Plan of Merger, dated August 1, 2017, by and among Jacobs Engineering Group Inc., CH2M HILL Companies, Ltd. and Basketball Merger Sub Inc. Filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K on August 2, 2017 and incorporated herein by reference.

2.2 Voting and Support Agreement, dated August 1, 2017, by and among Jacobs Engineering Group Inc., Basketball Merger Sub Inc. and AP VIII CH2 Holdings, L.P. Filed as Exhibit 2.2 to the Registrant's Current Report on Form 8-K on August 2, 2017 and incorporated herein by reference.

3.1 Amended and Restated Certificate of Incorporation of Jacobs Engineering Group Inc. Filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K on January 28, 2014 and incorporated herein by reference.

3.2 Amended and Restated Bylaws of Jacobs Engineering Group Inc., dated January 19, 2017. Filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K/A on May 15, 2017 and incorporated herein by reference.

4.1 See Sections 5 through 18 of Exhibit 3.1.

4.2 See Article II, Section 3.03 of Article III, Article VI and Sections 8.04 and 8.06 of Article VIII of Exhibit 3.2.

10.1 Amended and Restated Credit Agreement dated as of February 7, 2014 among Jacobs Engineering Group Inc. and certain of its subsidiaries as borrowers, and the Bank of America, N.A. (as Administrative Agent) Bank of America, N.A., BNP Paribas, and Wells Fargo Bank, N.A. (as Co-Syndication Agents) The Bank of Tokyo-Mitsubishi UFJ, LTD, and TD Bank, N.A. (as Co- Documentation Agents) Merrill Lynch, Pierce, Fenner & Smith Incorporated (as Sole Book Manager) and Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNP Paribas Securities Corp. and Wells Fargo Securities, LLC (as Joint Lead Arrangers). Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on February 11, 2014 and incorporated herein by reference.

10.2 Amendment No. 1, dated as of March 4, 2015, among Jacobs Engineering Group, Inc. and the lenders thereto, and Bank of America, N.A., as administrative agent, to the Amended and Restated Credit Agreement dated as of February 7, 2014, by and among Jacobs Engineering Group, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on March 5, 2015 and incorporated herein by reference.

10.3 Amendment No. 2, dated as of September 28, 2017, among Jacobs Engineering Group Inc. and the lenders thereto, and Bank of America, N.A., as administrative agent, to the Amended and Restated Credit Agreement dated as of February 7, 2014, by and among Jacobs Engineering Group Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on September 29, 2017 and incorporated herein by reference.

10.4 Credit Agreement, dated as of September 28, 2017, among Jacobs Engineering Group Inc. and the lenders thereto, and BNP Paribas, as administrative agent. Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K on September 29, 2017 and incorporated herein by reference.

10.5 Term Loan Commitment Letter, dated August 1, 2017, by and among Jacobs Engineering Group Inc., BNP Paribas, BNP Paribas Securities Corp. and The Bank of Nova Scotia. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on August 2, 2017 and incorporated herein by reference.

10.6 Revolver Backstop Commitment Letter, dated August 1, 2017, by and among Jacobs Engineering Group Inc., BNP Paribas, BNP Paribas Securities Corp. and The Bank of Nova Scotia. Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K on August 2, 2017 and incorporated herein by reference.

10.7# Offer Letter by and between Jacobs Engineering Group Inc. and Steven J. Demetriou, dated July 10, 2015. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on July 16, 2015 and incorporated herein by reference.

10.8# Offer Letter by and between Jacobs Engineering Group Inc. and Kevin C. Berryman, effective November 12, 2014. Filed as Exhibit 99.1 to Amendment No. 1 to the Registrant's Current Report on Form 8-K/A on November 17, 2014 and incorporated herein by reference.

10.9# Employment Agreement dated December 23, 2010 between Jacobs Engineering Group Inc. and Gary Mandel. Filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2011 and incorporated herein by reference.

10.10# Offer letter by and between Jacobs Engineering Group Inc. and Robert V. Pragada, dated January 28, 2016. Filed as Exhibit 10.61 to the Registrant's fiscal 2016 Annual Report on Form 10-K and incorporated herein by reference.

10.11# Offer letter by and between Jacobs Engineering Group Inc. and Michael Tyler dated May 28, 2013. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2013 and incorporated herein by reference

10.12# Offer letter by and between Jacobs Engineering Group Inc. and William Benton Allen, Jr. dated October 4, 2016. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on October 14, 2016 and incorporated herein by reference.

10.13# Retirement Agreement by and between Jacobs Engineering Group Inc. and Phillip J. Stassi dated June 1, 2016. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10- Q for the third quarter of fiscal 2016 and incorporated herein by reference.

10.14# Amended and Restated Separation Agreement by and between Jacobs Engineering Group Inc. and Lori Sundberg, dated July 26, 2017. Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2017 and incorporated herein by reference.

10.15# Form of Indemnification Agreement entered into between Jacobs Engineering Group Inc. and certain of its officers and directors. Filed as Exhibit10.1 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2012 and incorporated herein by reference.

10.16# Jacobs Engineering Group Inc. 401(k) Plus Savings Plan and Trust, as amended and restated April 1, 2003. Filed as Exhibit 10.12 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.

10.17# Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan (as amended and restated on January 19, 2017). Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on January 24, 2017 and incorporated herein by reference.

10.18# Jacobs Engineering Group Inc. Global Employee Stock Purchase Plan (as amended and restated on January 19, 2017). Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K on January 24, 2017 and incorporated herein by reference.

10.19# The Executive Security Program of Jacobs Engineering Group Inc. Filed as Exhibit 10.2 to the Registrant's fiscal 2014 Annual Report on Form 10-K and incorporated herein by reference.

10.20# Amendment to the Executive Security Program of Jacobs Engineering Group Inc., dated December 23, 2008. Filed as Exhibit 10.3 to the Registrant's fiscal 2014 Annual Report on Form 10-K and incorporated herein by reference.

10.21# Amendment to the Executive Security Program of Jacobs Engineering Group Inc., dated May 31, 2009. Filed as Exhibit 10.4 to the Registrant's fiscal 2014 Annual Report on Form 10-K and incorporated herein by reference.

10.22# Jacobs Engineering Group Inc. 1991 Executive Deferral Plan, effective June 1, 1991. Filed as Exhibit 10.5 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.

10.23#

Jacobs Engineering Group Inc. 1993 Executive Deferral Plan, effective December 1, 1993. Filed as Exhibit 10.6 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.

10.24# Jacobs Engineering Group Inc. 1995 Executive Deferral Plan, effective January 1, 1995. Filed as Exhibit 10.7 to the Registrant's fiscal 2014 Annual Report on Form 10-K and incorporated herein by reference.

10.25# Jacobs Engineering Group Inc. 2005 Executive Deferral Plan, effective January 1, 2005. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2010 and incorporated herein by reference.

10.26# Jacobs Engineering Group Inc. Amended and Restated Executive Deferral Plan. Filed as Exhibit 10.8 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.

10.27# Jacobs Engineering Group Inc. Executive Deferral Plan, effective January 1, 2018. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on October 2, 2017 and incorporated herein by reference.

10.28# Jacobs Engineering Group Inc. Directors Deferral Plan, effective January 1, 2018. Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K on October 2, 2017 and incorporated herein by reference.

10.29# Jacobs Engineering Group Inc. Management Incentive Plan, as amended and restated effective November 19, 2015. Filed as Exhibit 10.50 to the Registrant's fiscal 2015 Annual Report on Form 10-K and incorporated herein by reference.

10.30# Jacobs Engineering Group Inc. 1999 Stock Incentive Plan, as amended and restated. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on January 28, 2014 and incorporated herein by reference.

10.31# Jacobs Engineering Group Inc. 1999 Outside Director Stock Plan, as Amended and Restated. Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the first quarter of fiscal 2016 and incorporated herein by reference.

10.32# Form of Stock Option Award Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Outside Directors Stock Plan). Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2016 and incorporated herein by reference.

10.33# Form of Nonqualified Stock Option Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2015 and incorporated herein by reference.

10.34# Form of Nonqualified Stock Option Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2015 and incorporated herein by reference.

10.35# Form of Nonqualified Stock Option Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.49 to the Registrant's fiscal 2015 Annual Report on Form 10-K and incorporated herein by reference.

10.36# Form of Restricted Stock Unit Award Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2012 and incorporated herein by reference.

10.37# Form of Restricted Stock Unit Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.45 to the Registrant's fiscal 2015 Annual Report on Form 10-K and incorporated herein by reference.

10.38# Summary Description of Amendment to Restricted Stock Unit Award Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2017 and incorporated herein by reference.

10.39†# Form of Restricted Stock Unit Agreement (with dividend equivalent rights) (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan).

10.40# Form of Restricted Stock Unit Award Agreement (Performance Shares - Net Earnings Growth - 2014 Award) (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2014 and incorporated herein by reference.

10.41#

Form of Restricted Stock Unit Award Agreement (Performance Shares - TSR - 2014 Award) (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2014 and incorporated herein by reference.

10.42# Form of Restricted Stock Unit Award Agreement (Performance Shares - Net Earnings Growth – 2015 Award) (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2015 and incorporated herein by reference.

10.43# Form of Restricted Stock Unit Agreement (Performance Shares - Earnings Per Share Growth – 2016 Award) (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.46 to the Registrant's fiscal 2015 Annual Report on Form 10-K and incorporated herein by reference.

10.44#	Form of Restricted Stock Unit Agreement (Performance Shares – TSR – 2016 Award) (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.47 to the Registrant's fiscal 2015 Annual Report on Form 10-K and incorporated herein by reference.
10.45†#	Form of Restricted Stock Unit Agreement (Performance Shares – Earnings Per Share Growth – 2017 Award) (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan).
10.46†#	Form of Restricted Stock Unit Agreement (Performance Shares – ROIC – 2017 Award) (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan).
10.47#	Form of Restricted Stock Unit Agreement (Cash Settled Non-US Employees) (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.48 to the Registrant's fiscal 2015 Annual Report on Form 10-K and incorporated herein by reference.
10.48#	Form of Restricted Stock Award Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K on June 1, 2011 and incorporated herein by reference.
10.49#	Form of Restricted Stock Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan). Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2012 and incorporated herein by reference.
10.50#	Form of Restricted Stock Agreement (awarded pursuant to the Jacobs Engineering Group Inc.1999 Stock Incentive Plan). Filed as Exhibit 10.44 to the Registrant's fiscal 2015 Annual Report on Form 10-K and incorporated herein by reference.
10.51#	Form of Restricted Stock Unit Award Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Outside Directors Stock Plan). Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2016 and incorporated herein by reference.
10.52#	Form of Restricted Stock Unit Award Agreement (awarded pursuant to the Jacobs Engineering Group Inc. 1999 Outside Directors Stock Plan). Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2017 and incorporated herein by reference.
†21	List of Subsidiaries of Jacobs Engineering Group Inc.
†23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
†31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
†32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
†95.	Mine Safety Disclosure.
†101.INS	XBRL Instance Document

†101.SCHXBRL Taxonomy Extension Schema Document

†101.CALXBRL Taxonomy Extension Calculation Linkbase Document

†101.DEFXBRL Taxonomy Extension Definition Linkbase Document

†101.LABXBRL Taxonomy Extension Label Linkbase Document

†101.PREXBRL Taxonomy Extension Presentation Linkbase Document

†Being filed herewith.
#Management contract or compensatory plan or arrangement.

SIGNATURES

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

		JACOBS ENGINEERING GROUP INC.
Dated: November 21, 2017	By:	/S/ Steven J. Demetriou Steven J. Demetriou Chief Executive Officer and Chairman (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 Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/S/ Steven J. Demetriou Steven J. Demetriou	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	November 21, 2017
/S/ Joseph R. Bronson Joseph R. Bronson	Director	November 21, 2017
/S/ Juan Jose Suarez Coppel Juan Jose Suarez Coppel	Director	November 21, 2017
/S/ Robert C. Davidson, Jr. Robert C. Davidson, Jr.	Director	November 21, 2017
/S/ Ralph E. Eberhart Ralph E. Eberhart	Director	November 21, 2017
/S/ Dawne S. Hickton Dawne S. Hickton	Director	November 21, 2017
/S/ Linda Fayne Levinson Linda Fayne Levinson	Director	November 21, 2017
/S/ Robert A. McNamara Robert A. McNamara	Director	November 21, 2017
/S/ Peter J. Robertson Peter J. Robertson	Director	November 21, 2017
/S/ Christopher M.T. Thompson Christopher M.T. Thompson	Director	November 21, 2017
/S/ Kevin C. Berryman	Executive Vice President,	November 21, 2017

Kevin C. Berryman	Chief Financial Officer (Principal Financial Officer)	
/S/ William B. Allen William B. Allen	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	November 21, 2017

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

WITH REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

September 29, 2017

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

September 29, 2017

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share information)

At September 29, 2017 and September 30, 2016

	September 29, 2017	September 30, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$774,151	$655,716
Receivables	2,102,543	2,115,663
Prepaid expenses and other current assets	119,486	93,091
Total current assets	2,996,180	2,864,470
Property, Equipment, and Improvements, net	349,911	319,673
Other Noncurrent Assets:		
Goodwill	3,009,826	3,079,628
Intangibles, net	332,920	336,922
Miscellaneous	692,022	759,329
Total other noncurrent assets	4,034,768	4,175,879
	$7,380,859	$7,360,022
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current Liabilities:		
Notes payable	$3,071	$2,421
Accounts payable	683,605	522,427
Accrued liabilities	939,687	938,378
Billings in excess of costs	299,864	319,460
Total current liabilities	1,926,227	1,782,686
Long-term Debt	235,000	385,330
Other Deferred Liabilities	732,281	861,824
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—240,000,000 shares; issued and outstanding—120,385,544 shares and 120,950,899 shares as of September 29, 2017 and September 30, 2016, respectively	120,386	120,951
Additional paid-in capital	1,239,782	1,168,272
Retained earnings	3,721,698	3,586,647
Accumulated other comprehensive loss	(653,514)	(610,594)
Total Jacobs stockholders’ equity	4,428,352	4,265,276
Noncontrolling interests	58,999	64,906
Total Group stockholders’ equity	4,487,351	4,330,182

	$7,380,859	$7,360,022

See the accompanying Notes to Consolidated Financial Statements.

F-3

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

For the Fiscal Years Ended September 29, 2017, September 30, 2016, and October 2, 2015

(In thousands, except per share information)

	September 29, 2017	September 30, 2016	October 2, 2015
Revenues	$10,022,788	$10,964,157	$12,114,832
Costs and Expenses:			
Direct costs of contracts	(8,250,536)	(9,196,326)	(10,146,494)
Selling, general and administrative expenses	(1,379,983)	(1,429,233)	(1,522,811)
Operating Profit	392,269	338,598	445,527
Other Income (Expense):			
Interest income	8,748	7,848	7,262
Interest expense	(12,035)	(15,260)	(19,503)
Gain/(Loss) on disposal of business and investments	10,880	(41,410)	(2,909)
Miscellaneous expense, net	(6,645)	(3,053)	(240)
Total other income (expense), net	948	(51,875)	(15,390)
Earnings Before Taxes	393,217	286,723	430,137
Income Tax Expense	(105,842)	(72,208)	(101,255)
Net Earnings of the Group	287,375	214,515	328,882
Net Loss (Earnings) Attributable to Noncontrolling Interests	6,352	(4,052)	(25,911)
Net Earnings Attributable to Jacobs	$293,727	$210,463	$302,971
Net Earnings Per Share:			
Basic	$2.43	$1.75	$2.42
Diluted	$2.42	$1.73	$2.40

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Fiscal Years Ended September 29, 2017, September 30, 2016, and October 2, 2015

(In thousands)

	September 29, 2017	September 30, 2016	October 2, 2015
Net Earnings of the Group	$287,375	$214,515	$328,882
Other Comprehensive (Loss) Income:			
Foreign currency translation adjustments	(140,527)	(46,515)	(136,168)
Change in pension liability	123,427	(111,488)	33,208
(Losses) Gains on cash flow hedges	(1,350)	(1,403)	2,949
Other Comprehensive Loss Before Income Taxes	(18,450)	(159,406)	(100,011)
Income Tax (Expense) Benefit:			
Change in pension liability	(24,380)	13,303	(438)
(Losses) Gains on cash flow hedges	(90)	273	(766)
Income Tax (Expense) Benefit	(24,470)	13,576	(1,204)
Net Other Comprehensive Loss	(42,920)	(145,830)	(101,215)
Net Comprehensive Income of the Group	244,455	68,685	227,667
Net Comprehensive Loss (Income) Attributable to Noncontrolling Interests	6,352	(4,052)	(25,911)
Total Comprehensive Income	$250,807	$64,633	$201,756

See the accompanying Notes to Consolidated Financial Statements including the Company's note on Other Comprehensive Income for a presentation of amounts reclassified to net income during the period.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Fiscal Years Ended September 29, 2017, September 30, 2016, and October 2, 2015

(In thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Jacobs Stockholders' Equity	Noncontrolling Interests	Total Group Stockholders' Equity
Balances at September 26, 2014	$ 131,753	$ 1,173,858	$ 3,527,193	$ (363,549)	$ 4,469,255	$ 36,405	$ 4,505,660
Net earnings	—	—	302,971	—	302,971	25,911	328,882
Foreign currency translation adjustments	—	—	—	(136,168)	(136,168)	—	(136,168)
Pension liability, net of deferred taxes of $438	—	—	—	32,770	32,770	—	32,770
Gain on derivatives, net of deferred taxes of $766	—	—	—	2,183	2,183	—	2,183
Noncontrolling interest acquired / consolidated	—	—	(9,709)	—	(9,709)	9,627	(82)
Distributions to noncontrolling interests	—	—	—	—	—	(7,230)	(7,230)
Issuances of equity securities, net of deferred taxes of $10,332	1,590	80,801	—	—	82,391	—	82,391
Repurchases of equity securities	(10,190)	(117,515)	(324,243)	—	(451,948)	—	(451,948)
Balances at October 2, 2015	$ 123,153	$ 1,137,144	$ 3,496,212	$ (464,764)	$ 4,291,745	$ 64,713	$ 4,356,458
Net earnings	—	—	210,463	—	210,463	4,052	214,515
	—	—	—	(46,516)	(46,516)	—	(46,516)

Foreign currency translation adjustments							
Pension liability, net of deferred taxes of $13,303	—	—	—	(98,185)	(98,185)	—	(98,185)
Loss on derivatives, net of deferred taxes of $274	—	—	—	(1,129)	(1,129)	—	(1,129)
Noncontrolling interest acquired / consolidated	—	(127)	—	—	(127)	(1,150)	(1,277)
Distributions to noncontrolling interests	—	—	(3,146)	—	(3,146)	(2,709)	(5,855)
Issuances of equity securities, net of deferred taxes of $3,382	1,351	72,055	—	—	73,406	—	73,406
Repurchases of equity securities	(3,553)	(40,800)	(116,882)	—	(161,235)	—	(161,235)
Balances at September 30, 2016	$ 120,951	$ 1,168,272	$ 3,586,647	$ (610,594)	$ 4,265,276	$ 64,906	$ 4,330,182
Net earnings	—	—	293,727	—	293,727	(6,352)	287,375
Foreign currency translation adjustments	—	—	—	(140,527)	(140,527)	—	(140,527)
Pension liability, net of deferred taxes of $24,380	—	—	—	99,047	99,047	—	99,047
Loss on derivatives, net of deferred taxes of $90	—	—	—	(1,440)	(1,440)	—	(1,440)
Noncontrolling interest acquired / consolidated	—	—	—	—	—	445	445
Dividends	—	—	(72,765)	—	(72,765)	—	(72,765)
Distributions to noncontrolling interests	—	—	(4,559)	—	(4,559)	—	(4,559)
Issuances of equity securities, net of	1,468	99,117	—	—	100,585	—	100,585

deferred taxes of $1,015							
Repurchases of equity securities	(2,033)	(27,607)	(81,352)	—	(110,992)	—	(110,992)
Balances at September 29, 2017	$ 120,386	$ 1,239,782	$ 3,721,698	$ (653,514)	$ 4,428,352	$ 58,999	$ 4,487,351

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended September 29, 2017, September 30, 2016, and October 2, 2015

(In thousands)

	September 29, 2017	September 30, 2016	October 2, 2015
Cash Flows from Operating Activities:			
Net earnings attributable to the Group	$287,375	$214,515	$328,882
Adjustments to reconcile net earnings to net cash flows provided by operations:			
Depreciation and amortization:			
Property, equipment and improvements	76,418	82,363	99,924
Intangible assets	46,095	47,608	49,368
(Gain) Loss on sales of investments	(10,880)	17,049	—
Loss on sales of business	822	24,361	2,909
Gain on benefit plan change	(9,955)	—	—
Stock based compensation	38,764	32,370	41,412
Tax deficiency from stock based compensation	(2,877)	(377)	(1,237)
Equity in losses (earnings) of operating ventures, net	(7,788)	(11,892)	5,483
Change in pension plan obligations	(26,990)	(9,380)	(5,980)
Change in deferred compensation plans	(531)	576	(3,229)
Losses on disposals of assets, net	14,876	10,680	30,985
Deferred income taxes	36,663	(27,407)	(31,177)
Changes in assets and liabilities, excluding the effects of businesses acquired:			
Receivables	75,441	397,268	172,958
Prepaid expenses and other current assets	(23,755)	17,906	6,644
Accounts payable	153,961	(44,214)	(28,943)
Accrued liabilities	(56,279)	(71,930)	(120,847)
Billings in excess of costs	(31,976)	33,347	(52,441)
Income taxes payable	4,264	(4,586)	(22,685)
Other deferred liabilities	(6,026)	(28,801)	(15,759)
Deferred gain on synthetic lease transaction	—	—	23,343
Other, net	17,259	717	4,962
Net cash provided by operating activities	574,881	680,173	484,572
Cash Flows Used for Investing Activities:			
Additions to property and equipment	(118,060)	(67,688)	(88,404)
Disposals of property and equipment	2,387	10,479	369
Purchases of intangibles	—	(10,027)	—
Purchases of investments	—	(3,403)	—
Sales of investments	31,701	—	13
Acquisitions of businesses, net of cash acquired	(150,190)	(49,943)	(8,101)
Sales of business	(2,036)	(19,039)	—
Net cash used for investing activities	(236,198)	(139,621)	(96,123)
Cash Flows Used for Financing Activities:			

Proceeds from long-term borrowings	1,694,023	1,649,653	1,768,639
Repayments of long-term borrowings	(1,846,797)	(1,840,789)	(1,907,109)
Proceeds from short-term borrowings	1,347	3,040	362,433
Repayments of short-term borrowings	(702)	(14,042)	(382,190)
Proceeds from issuances of common stock	62,645	43,140	33,222
Common stock repurchases	(97,180)	(152,550)	(422,316)
Excess tax benefits from stock based compensation	2,877	377	1,237
Cash dividends	(54,234)	—	—
Dividends paid to noncontrolling interests	(4,559)	(5,855)	(7,230)
Net cash used for financing activities	(242,580)	(317,026)	(553,314)
Effect of Exchange Rate Changes	22,332	(28,669)	(106,923)
Net Increase (Decrease) in Cash and Cash Equivalents	118,435	194,857	(271,788)
Cash and Cash Equivalents at Beginning of Period	655,716	460,859	732,647
Cash and Cash Equivalents at End of Period	$774,151	$655,716	$460,859

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Basis of Presentation

Description of Business

We provide a broad range of technical, professional, and construction services including engineering, design, and architectural services; construction and construction management services; operations and maintenance services; and process, scientific, and systems consulting services. We provide our services through offices and subsidiaries located primarily in North America, South America, Europe, the Middle East, India, Australia, Africa, and Asia. We provide our services under cost-reimbursable and fixed-price contracts. The percentage of revenues realized from each of these types of contracts for the fiscal years ended September 29, 2017, September 30, 2016 and October 2, 2015 was as follows:

	For the Year Ended		
	September 29, 2017	September 30, 2016	October 2, 2015
Cost-reimbursable	81%	82 %	83 %
Fixed-price	19%	18 %	17 %

Basis of Presentation, Definition of Fiscal Year, and Other Matters

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. GAAP and include the accounts of Jacobs Engineering Group Inc. and its subsidiaries and affiliates which it controls. All intercompany accounts and transactions have been eliminated in consolidation.

The Company’s fiscal year ends on the Friday closest to September 30 (determined on the basis of the number of workdays) and, accordingly, an additional week of activity is added every five -to- six years. Fiscal 2015 included an extra week of activity.

During the second quarter of fiscal 2016, we reorganized our operating and reporting structure around four lines of business (“LOB”). This reorganization is intended to better serve our global clients, leverage our workforce, help streamline operations, and provide enhanced growth opportunities. The four global LOBs are: Petroleum & Chemicals, Buildings & Infrastructure, Aerospace & Technology, and Industrial. Previously, the Company operated its business as a single segment. For a further discussion of our segment information, please refer to Note 15-Segment Information.

Please refer to Note 17— Definitions for the definitions of certain terms used in the accompanying Consolidated Financial Statements and these Notes to Consolidated Financial Statements.

2. Significant Accounting Policies

Revenue Accounting for Contracts and Use of Joint Ventures

We recognize revenue earned on our technical professional and field services projects under the percentage-of-completion method described in ASC 605-35, Construction-Type and Production-Type Contracts. In general, we recognize revenues at the time we provide services. Pre-contract costs are generally expensed as incurred. Contracts are generally segmented between types of services, such as project services and construction, and accordingly, gross margin related to each activity is recognized as those separate services are rendered. For multiple contracts with a single customer we account for each contract separately.

The percentage-of-completion method of accounting is applied by comparing contract costs incurred to date to the total estimated costs at completion. On cost-reimbursable contracts, the cost of materials and subcontracts are generally excluded from the calculation of the measure of progress towards completion to provide a more meaningful allocation of income. Contract losses are provided for in their entirety in the period they become known, without regard to the percentage-of-completion.

Unapproved change orders are included in the contract price to the extent it is probable that such change orders will result in additional contract revenue and the amount of such additional revenue can be reliably estimated. Claims meeting these recognition criteria are included in revenues only to the extent of the related costs incurred.

Certain cost-reimbursable contracts include incentive-fee arrangements. These incentive fees can be based on a variety of factors but the most common are the achievement of target completion dates, target costs, and/or other performance criteria. Failure to meet these targets can result in unrealized incentive fees. We recognize incentive fees based on expected results using the percentage-of-completion method of accounting. As the contract progresses and more information becomes available, the estimate of the anticipated incentive fee that will be earned is revised as necessary. We bill incentive fees based on the terms and conditions of the individual contracts. In certain situations, we are allowed to bill a portion of the incentive fees over the performance period of the contract. In other situations, we are allowed to bill incentive fees only after the target criterion has been achieved. Incentive fees which have been recognized but not billed are included in receivables in the accompanying Consolidated Balance Sheets.

Certain cost-reimbursable contracts with government customers as well as certain commercial clients provide that contract costs are subject to audit and adjustment. In this situation, revenues are recorded at the time services are performed based upon the amounts we expect to realize upon completion of the contracts. Revenues are not recognized for non-recoverable costs. In those situations where an audit indicates that we may have billed a client for costs not allowable under the terms of the contract, we estimate the amount of such nonbillable costs and adjust our revenues accordingly.

When we are directly responsible for subcontractor labor or third-party materials and equipment, we reflect the costs of such items in both revenues and costs (and we refer to such costs as “pass-through” costs). On those projects where the client elects to pay for such items directly and we have no associated responsibility for such items, these amounts are not reflected in either revenues or costs.

The following table sets forth pass-through costs included in revenues in the accompanying Consolidated Statements of Earnings (in millions):

For the Year Ended		
September 29, 2017	September 30, 2016	October 2, 2015
$2,539.3	$2,489.9	$2,602.6

As is common to the industry, we execute certain contracts jointly with third parties through various forms of joint ventures and consortiums. Although the joint ventures own and hold the contracts with the clients, the services required by the contracts are typically performed by us and our joint venture partners, or by other subcontractors under subcontracting agreements with the joint ventures. The assets of our joint ventures, therefore, consist almost entirely of cash and receivables (representing amounts due from clients), and the liabilities of our joint ventures consist almost entirely of amounts due to the joint venture partners (for services provided by the partners to the joint ventures under their individual subcontracts) and other subcontractors. In general, at any given time, the equity of our joint ventures represents the undistributed profits earned on contracts the joint ventures hold with clients. Very few of our joint ventures have employees. None of our joint ventures have third-party debt or credit facilities. Under U.S. GAAP, our share of profits and losses associated with the contracts held by the joint ventures is reflected in our Consolidated Financial Statements.

Certain of our joint ventures meet the definition of a VIE. In evaluating our VIEs for possible consolidation, we perform a qualitative analysis to determine whether or not we have a “controlling financial interest” in the VIE as defined by U.S. GAAP. We consolidate only those VIEs over which we have a controlling financial interest and are the primary beneficiary.

For the Company’s unconsolidated joint ventures, we use either the equity method of accounting or proportional consolidation.

There were no changes in facts and circumstances during the period that caused the Company to reassess the method of accounting for its VIEs.

Fair Value Measurements

The net carrying amounts of cash and cash equivalents, trade receivables and payables, and notes payable approximate Fair Value due to the short-term nature of these instruments. Similarly, we believe the carrying value of long-term debt also approximates Fair Value based on the interest rates and scheduled maturities applicable to the outstanding borrowings.

Certain other assets and liabilities, such as forward contracts and an interest rate swap agreement we purchased as cash-flow hedges discussed in Note 11 — Commitments and Contingencies and Derivative Financial Instruments are required to be carried in our Consolidated Financial Statements at Fair Value.

The Fair Value of the Company's reporting units (used for purposes of determining whether there is an indication of possible impairment of the carrying value of goodwill) is determined using both an income approach and a market approach. Both approaches require us to make certain estimates and judgments. Under the income approach, Fair Value is determined by using the discounted cash flows of our reporting units. Under the market approach, the Fair Values of our reporting units are determined by reference to guideline companies that are reasonably comparable to our reporting units; the Fair Values are estimated based on the valuation multiples of the invested capital associated with the guideline companies. In assessing whether there is an indication that the carrying value of goodwill has been impaired, we utilize the results of both valuation techniques and consider the range of Fair Values indicated. The range of values (both ends of the range) for each reporting unit exceeded the respective book values by 27% to 110%.

With respect to equity-based compensation (i.e., share-based payments), we estimate the Fair Value of stock options granted to employees and directors using the Black-Scholes option-pricing model. Like all option-pricing models, the Black-Scholes model requires the use of subjective assumptions including (i) the expected volatility of the market price of the underlying stock, and (ii) the expected term of the award, among others. Accordingly, changes in assumptions and any subsequent adjustments to those assumptions can cause different Fair Values to be assigned to our future stock option awards. For restricted stock units containing service, market and performance conditions, compensation expense is based on the Fair Value of such units using a Monte Carlo simulation.

The Fair Values of the assets owned by the various pension plans that the Company sponsors are determined based on the type of asset, consistent with U.S. GAAP. Equity securities are valued by using market observable data such as quoted prices. Publicly traded corporate equity securities are valued at the last reported sale price on the last business day of the year. Securities not traded on the last business day are valued at the last reported bid price. Debt securities are valued at the last reported sale price on the last business day applicable. Real estate consists primarily of common or collective trusts, with underlying investments in real estate. These investments are valued using the best information available, including quoted market price, market prices for similar assets when available, internal cash flow estimates discounted at an appropriate interest rate, or independent appraisals, as appropriate. Management values insurance contracts, investments in infrastructure/raw goods, and hedge funds using actuarial assumptions and certain values reported by fund managers.

The methodologies described above and elsewhere in these Notes to Consolidated Financial Statements may produce a Fair Value measure that may not be indicative of net realizable value or reflective of future Fair Values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the Fair Value of certain financial instruments could result in a different Fair Value measurement.

Cash Equivalents

We consider all highly liquid investments with original maturities of less than three months to be cash equivalents. Cash equivalents at September 29, 2017 and September 30, 2016 consisted primarily of money market mutual funds and overnight bank deposits.

Receivables and Billings in Excess of Costs

Receivables include billed receivables, unbilled receivables, and retentions receivable. Billed receivables represent amounts invoiced to clients in accordance with the terms of our client contracts. They are recorded in our financial statements when they are issued. Unbilled receivables and retentions receivable represent reimbursable costs and amounts earned and reimbursable under contracts in progress as of the respective balance sheet dates. Such amounts become billable according to the contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project. We anticipate that substantially all of such unbilled amounts will be billed and collected over the next fiscal year.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Certain contracts allow us to issue invoices to clients in advance of providing services. Billings in excess of costs represent billings to, and cash collected from, clients in advance of work performed. We anticipate that substantially all such amounts will be earned over the next twelve months.

Property, Equipment, and Improvements

Property, equipment and improvements are carried at cost, and are shown net of accumulated depreciation and amortization in the accompanying Consolidated Balance Sheets. Depreciation and amortization 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 estimated useful 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.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired business over the Fair Value of the net tangible and intangible assets acquired. Goodwill and intangible assets with indefinite lives are not amortized; instead, on an annual basis as of the end of the third quarter of each fiscal year we test goodwill and intangible assets with indefinite lives for possible impairment. Interim testing for impairment is performed if indicators of potential impairment exist. For purposes of impairment testing, goodwill is assigned to the applicable reporting units based on the current reporting structure.

During the second quarter of fiscal 2016, we reorganized our operations around four global lines of business, which also serve as our operating segments: Petroleum & Chemicals, Buildings & Infrastructure, Aerospace & Technology, and Industrial. We determined that this new organization would better support the needs of managing each unique set of customers that fall within each segment. As a result of the new organization, we subsequently realigned our internal reporting structures to enable our Chief Executive Officer, who is also our Chief Operating Decision Maker, to evaluate the performance of each of these segments and make appropriate resource allocations among each of the segments. For purposes of our goodwill impairment testing, we have determined that our operating segments are also our reporting units based on management’s conclusion that the components comprising each of our operating segments share similar economic characteristics and meet the aggregation criteria in accordance with ASC 350.

When testing goodwill for impairment quantitatively, the Company first compares the fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to measure the amount of potential impairment. In the second step, the Company compared the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized. During 2017, we completed our annual goodwill impairment test and quantitatively determined that none of the goodwill was impaired. The Company recorded $119.3 million of goodwill during 2017 in conjunction with the acquisitions of Aquenta Consulting Pty Ltd. and Blue Canopy LLC. Goodwill for each of the Company's segments is presented in Note 15.

We have determined that the fair value of our reporting units substantially exceeded their respective carrying values for the Consolidated Balance Sheets presented.

The following table presents the components of our goodwill by reporting unit appearing in the accompanying Consolidated Balance Sheets at September 29, 2017 (in thousands):

	September 29, 2017
Aerospace & Technology	$1,025,780
Buildings & Infrastructure	751,407
Industrial	561,785
Petroleum & Chemicals	670,854
Total Goodwill	$3,009,826

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the preparation of the Form 10-Q for the first fiscal quarter of 2017, the Company determined that its prior financial statements contained immaterial misstatements related to incorrect translation of the Company's non-U.S. goodwill balances from local currency to the U.S. Dollar reporting currency. It was determined that the Company had incorrectly used historical translation rates for the U.S. Dollar in place at the time of the Company's recording of its foreign goodwill balances rather than using current translation rates at each balance sheet date in accordance with U.S. GAAP. The error dated back to the time of our initial reporting of non-US goodwill balances in the late 1990s and affected our historical quarterly and annual reporting periods through the first fiscal quarter of 2017.

As a result, goodwill and accumulated other comprehensive income in the Company's September 30, 2016 consolidated balance sheet (which have not been adjusted) were each overstated by $209.9 million and were corrected in the first fiscal quarter of 2017 foreign currency translation adjustment. Consequently, the correction was a direct component of the overall translation adjustment amount of $140.5 million that was reported for fiscal 2017. These adjustments had no impact on the Company's Consolidated Statements of Earnings or Cash Flows. Also, other comprehensive income for the year ended September 30, 2016 was overstated by $33.8 million as a result of these misstatements.

The following table provides certain information related to the Company's acquired intangible assets in the accompanying Consolidated Balance Sheets at September 29, 2017, September 30, 2016 and October 2, 2015 (in thousands):

	Customer Relationships, Contracts, and Backlog	Developed Technology	Trade Names	Patents	Other	Total
Balances, September 26, 2014	$ 408,041	$ 17,378	$ 14,148	$ —	$ 625	$ 440,192
Acquisitions	(4,315)	—	(1,292)	—	300	(5,307)
Amortization	(39,967)	(1,533)	(4,172)	—	(277)	(45,949)
Foreign currency translation	(34,418)	—	(1,085)	—	(14)	(35,517)
Balances, October 2, 2015	329,341	15,845	7,599	—	634	353,419
Acquisitions	7,286	—	859	10,027	—	18,172
Amortization	(38,595)	(1,534)	(3,819)	—	(454)	(44,402)
Foreign currency translation	9,605	—	147	—	(19)	9,733
Balances, September 30, 2016	307,637	14,311	4,786	10,027	161	336,922
Acquisitions	29,803	1,685	4,417	—	—	35,905
Amortization	(39,679)	(1,534)	(2,549)	(400)	(50)	(44,212)
Foreign currency translation	3,707	—	45	553	—	4,305
Balances, September 29, 2017	$ 301,468	14,462	6,699	10,180	111	332,920
Weighted Average Amortization Period (years)	7.9	7.7	4.4	24	2.2	8.3

The weighted average amortization period includes the effects of foreign currency translation.

The above table excludes the values assigned to those intangible assets embedded in the Company’s equity method investment in AWE Management Ltd. (“AWE”) and Guimar Engenharia LTDA ("Guimar"). Those amounts are included in the carrying value of the Company’s investment in AWE and Guimar. The amount of amortization expense we estimate we will record during each of the next five fiscal years relating to intangible assets existing at September 29, 2017, including those associated with AWE and Guimar, is: fiscal 2018 - $49.7 million; fiscal 2019 - $48.3 million; fiscal 2020 - $46.1 million; fiscal 2021 - $40.9 million; and fiscal 2022 - $39.5 million.

Foreign Currencies

In preparing our Consolidated Financial Statements, it is necessary to translate the financial statements of our subsidiaries operating outside the U.S., which are denominated in currencies other than the U.S. dollar, into the U.S. dollar. In accordance with U.S. GAAP, revenues and expenses of operations outside the U.S. are translated into U.S. dollars using weighted-average exchange rates for the applicable periods being translated while the assets and liabilities of operations outside the U.S. are generally translated into U.S. dollars using period-end exchange rates. The net effect of foreign currency

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

translation adjustments is included in stockholders' equity as a component of accumulated other comprehensive income (loss) in the accompanying Consolidated Balance Sheets.

Share-Based Payments

We measure the value of services received from employees and directors in exchange for an award of an equity instrument based on the grant-date Fair Value of the award. The computed value is recognized as a non-cash cost on a straight-line basis over the period the individual provides services, which is typically the vesting period of the award with the exception of awards containing an internal performance measure which is recognized on a straight-line basis over the vesting period subject to the probability of meeting the performance requirements and adjusted for the number of shares expected to be earned. The cost of these awards is recorded in selling, general and administrative expense in the accompanying Consolidated Statements of Earnings.

The following table presents our stock-based compensation expense for the various types of awards made by the Company as included in the Consolidated Statements of Earnings for the years ended September 29, 2017, September 30, 2016 and October 2, 2015 (in thousands):

	For the Years Ended		
Award Type	September 29, 2017	September 30, 2016	October 2, 2015
Restricted Stock and Restricted Stock Units (excluding Market and Performance Awards)	$26,393	$ 21,156	$20,779
Stock Options	4,338	7,165	10,683
Market and Performance Awards	8,033	4,049	9,950
Total Expense	$38,764	$ 32,370	$41,412

The Company has two incentive plans whereby eligible employees and directors of Jacobs may be granted stock options, restricted stock, and/or restricted stock units.

Stock Options —Substantially all of the stock options granted during the previous years were awarded on the same date for all employees and directors (although the date is different for employees and directors). For fiscal year 2017, there were no stock options granted to either employees or directors. The following table presents the assumptions used in the Black-Scholes option-pricing model for awards made to employees and directors for the years ended September 30, 2016 and October 2, 2015:

	Awards Made to Employees	Awards Made to Directors

	September 30, 2016		October 2, 2015		September 30, 2016		October 2, 2015	
Dividend yield	—	%	—	%	—	%	—	%
Expected volatility	27.77	%	27.00	%	29.21	%	29.28	%
Risk-free interest rate	1.82	%	1.67	%	1.44	%	1.63	%
Expected term of options (in years)	5.82		5.82		5.82		5.82	

Market and Performance Awards — The Company granted restricted stock units containing service, performance, and market conditions (“PSUs”). PSUs are earned over a three-year performance period if the specified performance metrics are met. During fiscal 2015, the Company only granted PSUs based on net earnings growth (“Net Earnings Growth Based PSUs”). For fiscal 2016, half of the PSUs granted were based on relative total stockholder return (“Relative TSR Based PSUs”) and the other half of the PSUs were based on earnings per share (“EPS Based PSUs”). For fiscal 2017, half of the PSUs granted were EPS Based PSUs and the other half were based on return on invested capital (“ROIC Based PSUs”).

2014 and 2015 Awards

The number of Net Earnings Growth Based PSUs awarded in fiscal years 2014 and 2015 which may ultimately vest is equal to the sum of the following: (1) an amount, not less than zero, equal to one-third of the target Net Earnings Growth Based PSUs multiplied by the Net Earnings Growth Performance Multiplier (or, "NEGPM", as shown in the table below) determined based upon the growth in the Company's Adjusted Net Earnings (as defined in the applicable award agreements under the Stock Incentive Plan) over the period starting on the first day of the Company's third quarter of fiscal 2014 (in the case of Net Earnings Growth Based PSUs issued in fiscal 2014), or fiscal 2015 (in the case of Net Earnings Growth Based PSUs issued in fiscal 2015) and ending on the last day of the Company's second quarter of fiscal 2015 and fiscal 2016, respectively; plus, (2) an amount, not less than zero, equal to (A) two-thirds of the target Net Earnings Growth Based PSUs multiplied by the NEGPM determined based upon the average growth in the Company's Adjusted Net Earnings over the period starting on the first day of the Company's third quarter of fiscal 2014 (in the case of Net Earnings Growth Based PSUs issued in fiscal 2014), or fiscal 2015 (in the case of Net Earnings Growth Based PSUs issued in fiscal 2015) and ending on the last day of the Company's second quarter of fiscal 2016 and fiscal 2017, respectively, minus (B) the amount determined pursuant to (1) above; plus, (3) an amount, not less than zero, equal to (A) the target Net Earnings Growth Based PSUs multiplied by the NEGPM determined based upon the average growth in the Company's Adjusted Net Earnings over the period starting on the first day of the Company's third quarter of fiscal

2014 (in the case of Net Earnings Growth Based PSUs issued in fiscal 2014), or fiscal 2015 (in the case of Net Earnings Growth Based PSUs issued in fiscal 2015) and ending on the last day of the Company's second quarter of fiscal 2017 and fiscal 2018, respectively, minus (B) the amount determined pursuant to (1) and (2) above.

If the Company's average growth in Adjusted Net Earnings over the applicable fiscal years during the respective performance periods is between 5% and 10%, 10% and 15%, or 15% and 20%, the Net Earnings Growth Performance Multiplier will be determined using straight line interpolation based on the actual average growth in the Company's Adjusted Net Earnings.

The following table presents the basis on which the Net Earnings Growth Based PSUs are determined:

Average Adjusted Net Earnings Growth	Net Earnings Growth Performance Multiplier
Less than 5%	