

JACOBS ENGINEERING GROUP INC /DE/
Form 10-Q
July 30, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Quarterly Report on

FORM 10-Q

(Mark one)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended July 2, 2010

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-7463

JACOBS ENGINEERING GROUP INC.

(Exact name of Registrant as specified in its charter)

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Delaware

95-4081636

(State of incorporation)

(I.R.S. employer identification number)

1111 South Arroyo Parkway, Pasadena, California

91105

(Address of principal executive offices)

(Zip code)

(626) 578 3500

(Registrant's telephone number, including area code)

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

Indicate by check-mark 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). x Yes .. No

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 x

Accelerated filer ..

Non-accelerated filer ..

Smaller reporting company ..

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

Number of shares of common stock outstanding at July 22, 2010: 125,731,351

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JACOBS ENGINEERING GROUP INC.

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Table of Contents**Part I FINANCIAL INFORMATION****Item 1. Financial Statements.****JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS***(In thousands, except share information)*

	July 2, 2010 (Unaudited)	October 2, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 941,680	\$ 1,033,619
Receivables	1,661,767	1,618,561
Deferred income taxes	128,508	117,066
Prepaid expenses and other	41,246	49,203
Total current assets	2,773,201	2,818,449
Property, Equipment and Improvements, Net	220,153	240,350
Other Noncurrent Assets:		
Goodwill	1,118,195	929,842
Miscellaneous	549,227	439,973
Total other non-current assets	1,667,422	1,369,815
	\$ 4,660,776	\$ 4,428,614
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Notes payable	\$ 93,610	\$ 17,495
Accounts payable	284,999	340,651
Accrued liabilities	784,213	679,109
Billings in excess of costs	203,876	252,149
Income taxes payable		6,497
Total current liabilities	1,366,698	1,295,901
Long-term Debt	517	737
Other Deferred Liabilities	475,769	500,501
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 125,622,661 shares and 124,229,933 shares, respectively	125,623	124,230

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Additional paid-in capital	752,612	703,860
Retained earnings	2,174,378	2,009,338
Accumulated other comprehensive loss	(240,613)	(211,515)
Total Jacobs stockholders' equity	2,812,000	2,625,913
Noncontrolling interests	5,792	5,562
Total Group stockholders' equity	2,817,792	2,631,475
	\$ 4,660,776	\$ 4,428,614

See the accompanying Notes to Consolidated Financial Statements.

Table of Contents**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EARNINGS****For the Three and Nine Months Ended July 2, 2010 and July 3, 2009***(In thousands, except per share information)*

	For the Three Months Ended		For the Nine Months Ended	
	July 2,	July 3,	July 2,	July 3,
	2010	2009	2010	2009
Revenues	\$ 2,507,725	\$ 2,706,724	\$ 7,572,484	\$ 8,914,829
Costs and Expenses:				
Direct cost of contracts	(2,235,537)	(2,334,861)	(6,587,906)	(7,701,923)
Selling, general and administrative expenses	(227,105)	(225,189)	(704,010)	(714,476)
Operating Profit	45,083	146,674	280,568	498,430
Other Income (Expense):				
Interest income	1,974	2,465	3,608	9,656
Interest expense	(8,174)	(402)	(9,491)	(2,428)
Miscellaneous expense, net	(1,644)	(670)	(3,138)	(5,382)
Total other income (expense), net	(7,844)	1,393	(9,021)	1,846
Earnings Before Taxes	37,239	148,067	271,547	500,276
Income Tax Expense	(17,999)	(53,381)	(102,339)	(180,303)
Net Earnings of the Group	19,240	94,686	169,208	319,973
Net (Income) Loss Attributable to Noncontrolling Interests	(197)	214	(228)	564
Net Earnings Attributable to Jacobs	\$ 19,043	\$ 94,900	\$ 168,980	\$ 320,537
Net Earnings Per Share:				
Basic	\$ 0.15	\$ 0.77	\$ 1.36	\$ 2.61
Diluted	\$ 0.15	\$ 0.76	\$ 1.35	\$ 2.58

See the accompanying Notes to Consolidated Financial Statements.

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JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and Nine Months Ended July 2, 2010 and July 3, 2009

(In thousands)

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Net Earnings of the Group	\$ 19,240	\$ 94,686	\$ 169,208	\$ 319,973
Other Comprehensive Income (Loss):				
Foreign currency translation adjustment	(32,965)	31,699	(39,276)	(17,630)
Gain (loss) on cash flow hedges	(2,513)	3,147	(1,637)	(5,956)
Change in pension liability	5,714	(11,622)	15,141	12,683
Other comprehensive income (loss) before taxes	(29,764)	23,224	(25,772)	(10,903)
Income tax benefit (expense)	(537)	2,141	(3,326)	7,531
Net other comprehensive income (loss)	(30,301)	25,365	(29,098)	(3,372)
Net comprehensive income (loss) of the group	(11,061)	120,051	140,110	316,601
Net comprehensive income (loss) attributable to noncontrolling interests	(197)	214	(228)	564
Net comprehensive income (loss) attributable to Jacobs	\$ (11,258)	\$ 120,265	\$ 139,882	\$ 317,165

See the accompanying Notes to Consolidated Financial Statements.

Table of Contents**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Nine Months Ended July 2, 2010 and July 3, 2009***(In thousands)**(Unaudited)*

	2010	2009
Cash Flows from Operating Activities:		
Net earnings	\$ 168,980	\$ 320,537
Adjustments to reconcile net earnings to net cash flows from operations:		
Depreciation and amortization:		
Property, equipment and improvements	48,202	50,081
Intangible assets	17,512	6,562
Gains from investments, net		(1,249)
Stock based compensation	17,647	17,923
Excess tax benefits from stock based compensation	(3,014)	(2,989)
Changes in certain assets and liabilities, excluding the effects of businesses acquired:		
Receivables	(33,332)	247,243
Prepaid expenses and other current assets	8,223	(286)
Accounts payable	(60,535)	(103,912)
Accrued liabilities	103,545	(82,334)
Billings in excess of costs	(7,859)	26,552
Income taxes payable	(27,420)	4,456
Deferred income taxes	3,483	(1,449)
Other, net	753	16
Net cash provided by operating activities	236,185	481,151
Cash Flows from Investing Activities:		
Additions to property and equipment	(41,229)	(46,778)
Disposals of property and equipment	13,774	1,847
Changes in investments, net	(104,150)	(29,838)
Acquisitions of businesses, net of cash acquired	(258,798)	(1,033)
Changes in other non-current assets, net	(5,203)	21,453
Net cash used for investing activities	(395,606)	(54,349)
Cash Flows from Financing Activities:		
Repayments of long-term borrowings	(182)	(33,879)
Net change in short-term borrowings	77,254	31,110
Proceeds from issuances of common stock	27,642	32,451
Excess tax benefits from stock based compensation	3,014	2,989
Changes in other deferred liabilities, net	(6,014)	(5,451)
Net cash provided by financing activities	101,714	27,220
Effect of Exchange Rate Changes	(34,232)	1,028
Net Increase (Decrease) in Cash and Cash Equivalents	(91,939)	455,050

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Cash and Cash Equivalents at the Beginning of the Period	1,033,619	604,420
Cash and Cash Equivalents at the End of the Period	\$ 941,680	\$ 1,059,470

See the accompanying Notes to Consolidated Financial Statements.

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JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

July 2, 2010

Basis of Presentation

Unless the context otherwise requires:

References herein to "Jacobs" are to Jacobs Engineering Group Inc. and its predecessors;

References herein to the "Company," "we," "us" or "our" are to Jacobs Engineering Group Inc. and its consolidated subsidiaries; and

References herein to the "Group" are to the combined economic interests and activities of the Company and the persons and entities holding noncontrolling interests in our consolidated subsidiaries.

The accompanying consolidated financial statements and financial information included herein have been prepared pursuant to the interim period reporting requirements of Form 10-Q. Consequently, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. Readers of this report should also read our consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 2, 2009 ("2009 Form 10-K") as well as Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations* also included in our 2009 Form 10-K. Readers should also read our reports on Form 10-Q for the quarterly periods ended January 1, 2010 and April 2, 2010.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of our consolidated financial statements at July 2, 2010 and for the three and nine month periods ended July 2, 2010 and July 3, 2009.

The Company has evaluated subsequent events through the date of filing this Form 10-Q with the SEC. No material subsequent events have occurred since July 2, 2010 that required recognition or disclosure in these financial statements.

Our interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year.

New Accounting Standards

In December 2007, the Financial Accounting Standards Board ("FASB") revised the accounting and reporting for business combinations. These revisions require, among other things, that acquisition-related costs be recognized separately from the costs of acquired businesses; that in a business combination achieved in stages, an acquiree to recognize the identifiable assets, liabilities and noncontrolling interest in the acquiree at the full amounts of their fair values as of the acquisition date; and, that an acquirer recognize assets or liabilities from contingencies as of the acquisition date. The requirement to measure the noncontrolling interests in the acquiree at fair value will result in recognizing the goodwill attributable to the noncontrolling interest in addition to that attributable to the acquirer. These revisions were effective for the Company October 3, 2009.

In December 2007, the FASB revised the accounting and reporting for noncontrolling (formerly known as minority) interests in consolidated financial statements. These revisions clarified that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The revisions also established that net income attributable to both the parent and the noncontrolling interests be reported in the consolidated statement of earnings, and eliminated the requirement of purchase accounting for a parent's acquisition of a noncontrolling ownership interest. These revisions were effective for the Company October 3, 2009.

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JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

July 2, 2010

(continued)

Depending on the size and nature of an acquisition, the changes described above could have a material effect on the Company's consolidated financial statements.

In June 2009, the FASB revised the accounting for variable interest entities (VIEs). These revisions require the Company to perform an analysis to determine whether it is the primary beneficiary of its VIEs. The Company is deemed to be the primary beneficiary of a VIE if it has (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The revisions adopted by the FASB eliminate the quantitative approach previously required for determining the primary beneficiary of a VIE and significantly enhances disclosures. The new accounting requirements are effective for the Company October 2, 2010. The Company is currently evaluating the impact of this statement on its consolidated financial statements.

Business Combination

On February 16, 2010, the Company acquired Jordan, Jones and Goulding, Inc. (JGG), a 500-person professional services firm headquartered in Atlanta, Georgia. Founded in 1958, JGG provides engineering, planning, and consulting services for water, wastewater, environmental and other clients. The results of operations of JGG for the second quarter of fiscal 2010 were not material. The purchase price allocation has not been completed. Included in the Company's Consolidated Balance Sheet at July 2, 2010 is goodwill of approximately \$37.3 million associated with the acquisition of JGG.

Table of Contents**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED****July 2, 2010****(continued)****Receivables**

The following table presents the components of Receivables appearing in the accompanying Consolidated Balance Sheets at July 2, 2010 and October 2, 2009 as well as certain other related information (in thousands):

	2010	2009
Components of receivables:		
Amounts billed	\$ 847,003	\$ 846,716
Unbilled receivables and other	776,898	750,035
Retentions receivable	48,721	31,409
Allowance for doubtful accounts	(10,855)	(9,599)
 Total receivables, net	 \$ 1,661,767	 \$ 1,618,561
Other information about receivables:		
Amounts due from the United States federal government, included above, net of advanced billings	\$ 389,491	\$ 366,158
Claims receivable:		
Relating to the waste incineration project, explained below	\$	\$ 37,887
Other	12,511	19,813
 Total	 \$ 12,511	 \$ 57,700

Unbilled receivables 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.

Claims receivable represent costs incurred on contracts to the extent it is probable that such claims will result in additional contract revenue and the amount of such additional revenue can be reliably estimated. The claim relating to the waste incineration project involved a project to design and build a waste incineration plant in Sausheim, France by a consortium led by Serete for the SIVOM de Mulhousienne (SIVOM). The claim is discussed more fully in Note 11 *Contractual Guarantees, Litigation, Investigations, and Insurance* of Notes to Consolidated Financial Statements beginning on page F-25 of our 2009 Form 10-K. Due to the uncertainty as to when this claim was expected to settle, the receivable had been classified as long-term and was included in Other Noncurrent Assets in the accompanying Consolidated Balance Sheets. During the third quarter of fiscal 2010, the Company received an unfavorable court judgment against it relating to this claim. As a result, the Company recorded a pre-tax charge to earnings of \$93.3 million. Included in this amount is \$25.9 million (representing the net write-off of this receivable). The balance of the charge reflects the net cash payments the Company is obligated to make pursuant to the judgment.

The other claims receivable are included in Receivables in the accompanying Consolidated Balance Sheets.

Table of Contents**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED****July 2, 2010****(continued)****Property, Equipment and Improvements, Net**

Property, Equipment and Improvements, net in the accompanying Consolidated Balance Sheets at July 2, 2010 and October 2, 2009 consisted of the following (in thousands):

	2010	2009
Land	\$ 11,988	\$ 11,901
Buildings	87,719	85,067
Equipment	423,445	430,220
Leasehold improvements	116,718	125,050
Construction in progress	27,879	5,845
	667,749	658,083
Accumulated depreciation and amortization	(447,596)	(417,733)
	\$ 220,153	\$ 240,350

Revenue Accounting for Contracts / Accounting for Joint Ventures

In general, we recognize revenues at the time we provide services. Depending on the commercial terms of the contract, we recognize revenues either when costs are incurred, or using the percentage-of-completion method of accounting by relating contract costs incurred to date to the total estimated costs at completion. Contract losses are provided for in their entirety in the period they become known, without regard to the percentage-of-completion.

The nature of our business sometimes results in clients, subcontractors or vendors presenting claims to us for recovery of costs they incurred in excess of what they expected to incur, or for which they believe they are not contractually responsible. In those situations where a claim against us may result in additional costs to the contract, we include in the total estimated costs of the contract (and therefore, the estimated amount of margin to be earned under the contract) an estimate, based on all relevant facts and circumstances available, of the additional costs to be incurred. Similarly, and in the normal course of business, we may present claims to our clients for costs we have incurred for which we believe we are not contractually responsible. With respect to such claims, we include in revenues the amount of costs incurred, without profit, to the extent it is probable that the claims will result in additional contract revenue, and the amount of such additional revenue can be reliably estimated. Costs associated with unapproved change orders are included in revenues using substantially the same criteria used for claims.

Certain cost-reimbursable contracts include incentive-fee arrangements. The incentive fees in such contracts can be based on a variety of factors but the most common are the achievement of target completion dates or target costs, and/or meeting other performance criteria as defined in the contracts. 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.

Table of Contents**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED****July 2, 2010****(continued)**

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.

As is common to the industry, we execute certain contracts jointly with third parties through various forms of joint ventures and consortiums. For certain of these joint ventures (i.e., where we have an undivided interest in the assets and liabilities of the joint venture), we recognize our proportionate share of joint venture revenues, costs, and operating profit in our Consolidated Statements of Earnings. For other investments in engineering and construction joint ventures, we use the equity method of accounting.

Very few of our joint ventures have employees. 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. None of our joint ventures have third-party debt or credit facilities. Our joint ventures, therefore, are simply mechanisms used to deliver engineering and construction services to clients. Rarely do they, in and of themselves, present any risk of loss to us or to our partners separate from those that we would carry if we were performing the contract on our own. Under accounting principles generally accepted in the United States (GAAP), our share of losses associated with the contracts held by the joint ventures, if and when they occur, has always been reflected in our Consolidated Financial Statements.

We have analyzed our joint ventures and have classified them into two groups: (i) those VIEs of which we are the primary beneficiary of the VIEs expected residual returns or losses; and (ii) those VIEs of which we are not the primary beneficiary of the VIEs expected residual returns or losses. In accordance with GAAP, we apply the consolidation method of accounting for our investment in material VIEs of which we are the primary beneficiary.

The following table presents certain financial information as of July 2, 2010 about those VIEs (i) for which we are the primary beneficiary, and (ii) for which we are not the primary beneficiary (in thousands):

Selected financial information about those VIEs for which we are the primary beneficiary:	
Total assets	\$ 49,280
Total liabilities	\$ 39,990
Selected financial information about those VIEs for which we are not the primary beneficiary:	
Total assets	\$ 210,313
Total liabilities	\$ 176,299

Table of Contents**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED****July 2, 2010****(continued)**

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. 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 for the three and nine months ended July 2, 2010 and July 3, 2009 (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Pass-through costs included in revenues	\$ 705,600	\$ 883,902	\$ 2,154,547	\$ 3,242,995

Disclosures About Defined Pension Benefit Obligations

The following table presents the components of net periodic benefit cost recognized in earnings during each of the three and nine month periods ended July 2, 2010 and July 3, 2009 (in thousands):

Component:	For the Three Months Ended		For the Nine Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Service cost	\$ 5,734	\$ 4,901	\$ 17,122	\$ 14,133
Interest cost	13,648	12,670	40,691	36,745
Expected return on plan assets	(11,981)	(11,386)	(35,738)	(33,071)
Amortization of previously unrecognized items	3,185	1,379	9,478	4,003
Net periodic benefit cost	\$ 10,586	\$ 7,564	\$ 31,553	\$ 21,810

The following table presents certain information regarding Company cash contributions to our pension plans for fiscal 2010 (in thousands):

Cash contributions made during the first nine months of fiscal 2010	\$ 31,536
Cash contributions we expect to make during the remainder of fiscal 2010	7,374
Total	\$ 38,910

The change in pension liability included in the Consolidated Statements of Comprehensive Income for the three and nine months ended July 2, 2010 and July 3, 2009 relates primarily to the effects of exchange rate changes.

Income Tax Rate

The Company's consolidated effective income tax rate was 48.3% and 37.7% for the three and nine months ended July 2, 2010, respectively. This compares to effective income tax rates of 36.1% and 36.0%, respectively, for the comparable periods last year. The increase in the Company's effective tax rate during the current fiscal year as compared to last year is related to the SIVOM judgment. The effective tax rate applied to the SIVOM judgment was 30.6%. The effective tax rate for the rest of the Company's operations remains at 36%.

Table of Contents**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED****July 2, 2010****(continued)****Earnings Per Share and Certain Related Information**

The following table (i) reconciles the denominator used to compute basic earnings per share (EPS) to the denominator used to compute diluted EPS for the three and nine months ended July 2, 2010 and July 3, 2009; (ii) provides information regarding the number of non-qualified stock options that were antidilutive and therefore disregarded in calculating the weighted average number of shares outstanding used in computing diluted EPS; and (iii) provides the number of shares of common stock issued from the exercise of stock options and the release of restricted stock (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Shares used to calculate EPS:				
Weighted average shares outstanding (denominator used to compute basic EPS)	124,328	122,953	123,960	122,593
Effect of stock options and restricted stock	1,639	1,795	1,655	1,766
Denominator used to compute diluted EPS	125,967	124,748	125,615	124,359
Antidilutive stock options	2,380.4	2,276.1	3,120.0	2,959.3
Shares of common stock issued from the exercise of stock options and the release of restricted stock	374.6	385.5	1,072.2	1,192.8

Accounting for and Disclosure of Guarantees and Contingencies

Please refer to Note 10 *Commitments and Contingencies, and Derivative Financial Instruments* of Notes to Consolidated Financial Statements beginning on page F-24 of our 2009 Form 10-K for a discussion of our various commitments and contingencies.

Please refer to Note 11 *Contractual Guarantees, Litigation, Investigations, and Insurance* of Notes to Consolidated Financial Statements beginning on page F-25 of our 2009 Form 10-K for a discussion of the Company's contractual guarantees and a description of the various types of litigation in which we are involved.

On June 25, 2010, Jacobs subsidiary, Jacobs France SAS, received an unfavorable judgment from an Administrative Tribunal in Strasbourg, France relating to the SIVOM project. The contract was entered into in 1996, prior to the acquisition of Serete by Jacobs in 1997. Jacobs filed suit in 2002 seeking approximately \$49 million in damages to recover its contract balance and additional project costs that it had incurred. The SIVOM counterclaimed for project completion costs, increased operating costs, and costs relating to emissions problems.

As a result of the judgment, the Company recorded a pre-tax charge to earnings of \$93.3 million. Net of the effects on the Company's incentive bonus plan and income taxes, the judgment resulted in a net, after-tax charge to earnings of approximately \$60.3 million, or \$0.48 per diluted share. The cash impact of the judgments is estimated to be approximately \$61.4 million; however, this amount is subject to change based on the timing of and interest due on any cash payments that the parties will make to each other.

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JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

April 2, 2010

(continued)

Jacobs believes that the judgment of the Tribunal is not supported by the facts or by applicable law and intends to appeal.

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JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
General

The purpose of this Management's Discussion and Analysis (MD&A) is to provide a narrative analysis explaining the reasons for material changes in the Company's (i) financial condition since the most recent fiscal year-end, and (ii) results of operations during the current fiscal period(s) as compared to the corresponding period(s) of the preceding fiscal year. In order to better understand such changes, readers of this MD&A should also read:

The discussion of the critical and significant accounting policies used by the Company in preparing its consolidated financial statements (the most current discussion of our critical accounting policies appears on pages 33 through 36 of our 2009 Annual Report on Form 10-K (the 2009 Form 10-K), and the most current discussion of our significant accounting policies appears on pages F-7 through F-13 of our 2009 Form 10-K), as well as the discussion of new accounting standards included in the Notes to Consolidated Financial Statements of this Form 10-Q;

The Company's fiscal 2009 audited consolidated financial statements and notes thereto included in its 2009 Form 10-K (beginning on page F-1 thereto); and

Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our 2009 Form 10-K (beginning on page 33 thereto).

In addition to historical information, this MD&A may contain forward-looking statements that are not based on historical fact. When used herein, words such as *expects*, *anticipates*, *believes*, *seeks*, *estimates*, *plans*, *intends*, and similar words 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 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. Some of the factors that could cause or contribute to such differences are listed and discussed in Item 1A *Risk Factors*, included in our 2009 Form 10-K (beginning on page 18 thereto). 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 in other documents we file from time to time with the United States Securities and Exchange Commission.

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During the third quarter of fiscal 2010, the Company received an unfavorable court judgment relating to a waste incineration project in France for the SIVOM de Mulhousienne (SIVOM). The SIVOM project was performed by a consortium of contractors that was led by one of Jacobs subsidiaries under a contract that was entered into in 1996, prior to the acquisition of that subsidiary by Jacobs. As a result of the judgment, the Company recorded a pre-tax charge to earnings of \$93.3 million. Included in that amount is \$25.9 million (representing the net write-off of a claim receivable). The balance of the charge reflects net cash payments the Company is obligated to make pursuant to the judgment. Net of the effects of the charge on the Company's long-term incentive bonus plan and income taxes, the effect on net earnings attributable to Jacobs was approximately \$60.3 million, or 0.48 per diluted share. Please refer to Part II, Item 1 *Legal Proceedings* of this Quarterly Report on Form 10-Q for additional details about this matter.

The \$93.3 million pre-tax charge is reflected in the accompanying, unaudited Consolidated Statements of Earnings for the third quarter of fiscal 2010 as a \$25.9 million reduction in revenues; an approximate \$58.7 million increase in direct costs of contracts; and an \$8.7 million increase to interest expense (which is net of certain interest the SIVOM has been ordered to pay to the Company). In addition, the SIVOM judgment resulted in a \$6.4 million reduction to the Company's incentive bonus plan (the cost of which is included in selling, general, and administrative (SG&A) expenses).

In addition, and in response to the global recession, the Company ceased using one of its offices located in Houston, Texas, and entered into a sublease for the entire property (the Houston Sublease). This transaction occurred in the first quarter of fiscal 2010. Accordingly, included in net earnings for the nine months ended July 2, 2010 is a pre-tax charge of \$11.4 million relating to this real estate transaction. Net of the effects on the Company's incentive bonus plan and income taxes, the Houston Sublease resulted in a net, after-tax charge of \$5.8 million, or \$0.04 per diluted share.

In this MD&A, the Company discusses and analyzes its results of operations before the effects of the SIVOM judgment and the Houston Sublease. Although such information is non-GAAP in nature, it is presented because Management believes it provides a better view of the Company's operating results to the reader of this Form 10-Q to assess the Company's performance and operating trends.

The following tables reconcile the Company's non-GAAP results of operations to its GAAP results for those elements of the Company's consolidated results of operations affected by the charges for the SIVOM litigation and the first-quarter charge for the Houston Sublease:

For the three months ended July 2, 2010**(in thousands, except per-share information):**

Element	Non-GAAP Values	Effect of the Litigation	GAAP Values
Revenue	\$ 2,533,619	\$ (25,894)	\$ 2,507,725
Direct cost of contracts	\$ (2,176,896)	\$ (58,641)	\$ (2,235,537)
Selling, general, and administrative expenses	\$ (233,468)	\$ 6,363	\$ (227,105)
Operating profit	\$ 123,255	\$ (78,172)	\$ 45,083
Net interest income (expense)	\$ 2,525	\$ (8,725)	\$ (6,200)
Earnings (loss) before taxes	\$ 124,136	\$ (86,897)	\$ 37,239
Income tax (expense) benefit	\$ (44,619)	\$ 26,620	\$ (17,999)
Net earnings (loss) attributable to Jacobs	\$ 79,320	\$ (60,277)	\$ 19,043
Earnings per share (diluted)	\$ 0.63	\$ (0.48)	\$ 0.15

Table of Contents**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES***For the nine months ended July 2, 2010**(in thousands, except for per-share information):*

Element	Non-GAAP Values	Effect of the Litigation and the Houston Sublease	GAAP Values
Revenue	\$ 7,598,378	\$ (25,894)	\$ 7,572,484
Direct cost of contracts	\$ (6,529,265)	\$ (58,641)	\$ (6,587,906)
Selling, general, and administrative expenses	\$ (701,273)	\$ (2,737)	\$ (704,010)
Operating profit	\$ 367,840	\$ (87,272)	\$ 280,568
Net interest income (expense)	\$ 2,842	\$ (8,725)	\$ (5,883)
Earnings (loss) before taxes	\$ 367,544	\$ (95,997)	\$ 271,547
Income tax (expense) benefit	\$ (132,235)	\$ 29,896	\$ (102,339)
Net earnings (loss) attributable to Jacobs	\$ 235,081	\$ (66,101)	\$ 168,980
Earnings per share (diluted)	\$ 1.87	\$ (0.52)	\$ 1.35

GAAP means those accounting principles generally accepted in the United States.

In order to better understand the Company's results of operations for the third quarter of fiscal 2010 (i.e., the current fiscal quarter) and the recent trends in our business, we present the following two tables which compare our operating results for the current fiscal quarter to the second quarter of fiscal 2010 (i.e., the immediately preceding fiscal quarter) and the third quarter of fiscal 2009. These tables exclude the effects of the SIVOM judgment. All dollar amounts are in thousands, except per-share amounts:

	Third Quarter FY 2010	Second Quarter FY 2010	Third Quarter FY 2009
Revenues	\$ 2,533,619	\$ 2,586,974	\$ 2,706,724
Direct costs of contracts	(2,176,896)	(2,223,793)	(2,334,861)
SG&A Expenses	(233,468)	(241,177)	(225,189)
Operating profit	\$ 123,255	\$ 122,004	\$ 146,674
Net earnings	\$ 79,320	\$ 77,500	\$ 94,900
Earnings per share (diluted)	\$ 0.63	\$ 0.62	\$ 0.76
Direct costs of contracts as a percentage of revenues	85.9%	86.0%	86.3%

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	Third Quarter of FY 2010 Increases (Decreases) as Compared to	
	Second Quarter FY 2010	Third Quarter FY 2009
Percentage change in revenues	(2.1%)	(6.4%)
Percentage change in SG&A expenses	(3.2%)	3.7%
Percentage change in operating profit	1.0%	(16.0%)
Percentage change in net earnings	2.3%	(16.4%)

GAAP net earnings for the third quarter of fiscal 2010 ended July 2, 2010 totaled \$19.0 million, or \$0.15 per diluted share, compared to \$94.9 million, or \$0.76 per diluted share, for the third quarter of fiscal 2009 ended July 3, 2009. GAAP net earnings for the nine months ended July 2, 2010 totaled \$169.0 million, or \$1.35 per diluted share, compared to \$320.5 million, or \$2.58 per diluted share, for the comparable period last year. In addition to the effects of the SIVOM judgment, year-over-year (i.e., fiscal 2010 as compared to fiscal 2009) comparisons of net earnings, as well as most other elements of our results of operations, continue to reflect the effects on our business of the global recession which began in 2007. Because our business tends to lag the general economy, our results of operations usually do not reflect the full effects of a recession, nor any recovery, until several or more fiscal quarters later.

Excluding the effects of the SIVOM judgment, the Company achieved a 3.2% reduction in SG&A expenses during the third quarter of fiscal 2010 as compared to the immediately preceding fiscal quarter, as well as small increases (1.0% and 2.3%, respectively) in operating profit and net earnings. We believe these improvements in our results of operations are due primarily to the effects of the Management's strict control over SG&A expenses.

We believe we are well positioned to weather the current recessionary business environment, but we can provide no assurance that we will be able to do so. The Company maintains its competitive cost posture by driving down costs and maintaining long-term relationships with core clients such as the U.S. federal and other national governments, and large, multinational companies. We also continue to monitor new project opportunities arising from the American Recovery and Reinvestment Act of 2009 (although the timing, size, and scope of any such new work cannot be presently predicted).

We continue to look for strategic acquisitions that expand our markets and geographic reach. Geographies where the Company sees opportunities include the Middle East, India, and China. Markets where the Company sees opportunities include aerospace and defense; water and wastewater; upstream oil and gas; power; and minerals. Our cash position supports our acquisition strategy.

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Excluding the effects of the SIVOM judgment, total revenues for the third quarter of fiscal 2010 decreased by \$173.1 million, or 6.4%, to \$2.5 billion compared to \$2.7 billion for the third quarter of fiscal 2009. For the nine months ended July 2, 2010 and excluding the effects of the SIVOM judgment, total revenues decreased by \$1.3 billion, or 14.8%, to \$7.6 billion compared to \$8.9 billion for the corresponding period last year.

The following table sets forth our revenues by the various types of services we provide for the three and nine months ended July 2, 2010 and July 3, 2009 (in thousands, and excluding the effects of the SIVOM judgment which have been adjusted for within Construction services):

	For the Three Months Ended		For the Nine Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Project Services	\$ 1,054,646	\$ 1,123,924	\$ 3,177,666	\$ 3,601,584
Construction	993,025	1,092,002	2,949,485	3,760,033
Operations and Maintenance (O&M)	260,477	268,622	803,993	888,359
Process, Scientific and Systems Consulting	225,471	222,176	667,234	664,853
	\$ 2,533,619	\$ 2,706,724	\$ 7,598,378	\$ 8,914,829

As shown above, revenues for both the three and nine months ended July 2, 2010 among most of the types of services we provide were lower as compared to the corresponding periods last year, with revenues from construction services posting the largest declines.

The following table sets forth our revenues by the industry groups and markets in which our clients operate for the three and nine months ended July 2, 2010 and July 3, 2009 (in thousands, and excluding the effects of the SIVOM judgment which have been adjusted for within the Infrastructure market):

	For the Three Months Ended		For the Nine Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Energy & Refining - Downstream	\$ 808,430	\$ 919,115	\$ 2,458,485	\$ 3,202,046
National Government Programs	576,923	538,471	1,715,040	1,591,115
Chemicals and Polymers	296,224	294,287	923,808	923,621
Oil & Gas - Upstream	163,021	173,982	408,703	734,687
Infrastructure	242,899	243,909	699,424	734,721
Buildings	213,568	189,278	627,219	602,770
Pharmaceuticals and Biotechnology	137,045	203,947	488,380	658,786
Industrial and Other	95,509	143,735	277,319	467,083
	\$ 2,533,619	\$ 2,706,724	\$ 7,598,378	\$ 8,914,829

Amounts relating to the Company's buildings work for the U.S. Federal Government have been reclassified from the National Government Programs industry group to the Buildings market. Prior period information has been reclassified to conform to this new presentation.

As shown above, revenues for both the three and nine months ended July 2, 2010 from projects for clients operating in most of the markets and industry groups we serve were lower as compared to the corresponding periods last year, with revenues from clients operating in the energy and refining (downstream) and oil and gas (upstream) markets posting the largest declines.

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We believe these declines in revenues are attributable to the continuing effects of the current recession combined with the routine completion and normal winding-down of projects. Offsetting these declines in part is increased revenues from projects for our national government and buildings clients.

Excluding the effects of the SIVOM judgment, direct costs of contracts for the three months ended July 2, 2010 decreased \$158.0 million, or 6.8%, to \$2.2 billion as compared to \$2.3 billion for the corresponding period last year. For the nine months ended July 2, 2010 and excluding the effects of the SIVOM judgment, direct costs of contracts decreased \$1.2 billion, or 15.2%, to \$6.5 billion as compared to \$7.7 billion for the corresponding period last year. 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 items 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.

For the three and nine months ended July 2, 2010, pass-through costs decreased \$178.3 million and \$1.1 billion, respectively, as compared to the corresponding periods 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 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, and excluding the effects of the SIVOM judgment, direct costs of contracts for both the three and nine months ended July 2, 2010 was 85.9%. This compares to 86.3% and 86.4% for the three and nine months ended July 3, 2009, respectively. 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 direct cost of contracts percentage will be. 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 decreases in the direct cost of contracts percentage for the three and nine months ended July 2, 2010 as compared to the corresponding periods last year were due primarily to a combination of lower construction services revenue relative to project services, combined with better project performance.

Excluding the effects of the SIVOM judgment, SG&A expenses for the three months ended July 2, 2010 increased \$8.3 million, or 3.7%, to \$233.5 million compared to \$225.2 million for the three months ended July 3, 2009. For the nine months ended July 2, 2010 and excluding the effects of the SIVOM judgment and the Houston Sublease, SG&A expenses decreased by \$13.2 million, or 1.8%, to \$701.3 million compared to \$714.5 million for the nine months ended July 3, 2009.

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Included in SG&A expenses in the current fiscal year are the SG&A expenses of our recent acquisitions as well as the amortization expense associated with the acquired intangible assets.

Interest income for the three and nine months ended July 2, 2010 decreased \$0.5 million and \$6.0 million, respectively as compared to the corresponding periods last year. The decrease in interest income was due primarily to lower rates of interest earned during the current fiscal quarter as compared to last year.

Interest expense for the three and nine months ended July 2, 2010 increased \$7.8 million and \$7.1 million, respectively as compared to the corresponding periods last year. The increase in interest expense was due primarily to interest assessed by the court in connection with the SIVOM judgment.

The Company's consolidated effective income tax rate was 48.3% and 37.7% for the three and nine months ended July 2, 2010, respectively. This compares to effective income tax rates of 36.1% and 36.0%, respectively, for the comparable periods last year. The increases in the Company's effective income tax rate during the current fiscal year as compared to last year relate to the SIVOM judgment.

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. 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. 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, and exclude option periods.

In accordance with industry practice, substantially all of our contracts are subject to cancellation or termination at the option of the client. In a situation where a client terminates a contract, we typically are entitled to receive payment for work performed up to the date of termination and, in certain instances, we may be entitled to allowable termination and cancellation costs. While management uses all information available to it to determine backlog, our backlog at any given time is subject to changes in the scope of services to be provided as well as increases or decreases in costs relating to the contracts included therein.

Because certain contracts (for example, contracts relating to large engineering, procurement, and construction 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.

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The following table summarizes our backlog at July 2, 2010 and July 3, 2009 (in millions):

	2010	2009
Technical professional services	\$ 7,793.2	\$ 8,390.2
Field services	5,662.5	7,413.5
Total	\$ 13,455.7	\$ 15,803.7

Our backlog decreased \$2.3 billion, or 14.9%, to \$13.5 billion at July 2, 2010 from \$15.8 billion at July 3, 2009. Backlog at July 2, 2010 includes new awards from our public sector clients.

Liquidity and Capital Resources

At July 2, 2010, our principal sources of liquidity consisted of \$941.7 million of cash and cash equivalents, and \$264.3 million of available borrowing capacity under our \$290.0 million, long-term, unsecured revolving credit facility. We finance as much of our operations and growth as possible through cash generated by our operations.

In addition to our \$290.0 million revolving credit facility, we have also entered into a short-term credit facility with a bank in the U.S. We entered into the facility in connection with our acquisition of a one-third interest in AWE Management Ltd. (AWE). Approximately \$93.3 million was outstanding under this facility at July 2, 2010.

During the first nine months of fiscal 2010, our cash and cash equivalents decreased by \$91.9 million to \$941.7 million at July 2, 2010. This compares to a net increase in cash and cash equivalents of \$455.1 million, to \$1.1 billion, during the corresponding period last year. During the nine months ended July 2, 2010, we had cash outflows of \$395.6 million from investing activities and \$34.2 million from the effects of exchange rate changes. These cash outflows were offset in part by net cash inflows of \$236.2 million from operating activities and \$101.7 million from financing activities.

Our operations provided net cash of \$236.2 million during the nine months ended July 2, 2010. This compares to net cash inflows of \$481.2 million for the corresponding period last year. The \$245.0 million decrease in cash provided by operations for the nine months ended July 2, 2010 as compared to the corresponding period last year was due primarily to the following factors:

a \$151.6 million decrease in net earnings; and,

a \$109.1 million decrease relating to changes in our working capital accounts (discussed below).

These decreases in cash flows from operations were offset in part by the following:

a \$11.0 million change relating to the amortization of intangibles; and,

a \$4.9 million change relating to deferred income taxes.

Except for the \$93.3 million charge recorded in connection with the SIVOM judgment, there was no unusual activity occurring within our working capital accounts during the nine months ended July 2, 2010. 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 consists of obligations to third parties relating primarily to costs incurred for projects which are generally billable to clients. Accounts receivable consist of billings to our clients a substantial portion of which is for project-related costs. Billings in excess of cost consist of billings to and payments from our clients for costs yet to be incurred.

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This relationship between revenues and costs, and between receivables and payables is unique for our industry, and facilitates review of our liquidity at the total working capital level. The \$109.1 million decrease in cash flows relating to changes in our working capital accounts was due primarily to the timing of cash receipts and payments within our working capital accounts and is not indicative of any known trend or fundamental change to the underlying business.

We used \$395.6 million of cash and cash equivalents for investing activities during the nine months ended July 2, 2010 as compared to \$54.3 million during the corresponding period last year. The \$341.3 million increase in cash used for investing activities for the nine months ended July 2, 2010 as compared to the corresponding period last year was due primarily to acquisitions of businesses and changes in investments.

During the nine months ended July 2, 2010 we acquired JIG and TYBRIN Corporation, and we completed our investment in AWE.

Our financing activities resulted in net cash inflows of \$101.7 million during the nine months ended July 2, 2010. This compares to net cash inflows of \$27.2 million during the corresponding period last year. The \$74.5 million net increase in cash flows from financing activities during the nine months ended July 2, 2010 as compared to the corresponding period last year was due primarily to changes in borrowings.

We believe we have adequate liquidity and capital resources to fund our operations, support our acquisition strategy, and service our debt for the next twelve months. We had \$941.7 million in cash and cash equivalents at July 2, 2010, compared to \$1.0 billion at October 2, 2009. Although our consolidated working capital position decreased \$116.0 million during the nine months ended July 2, 2010, it totals \$1.4 billion as of that date, which management believes is adequate. We have a long-term, unsecured, revolving credit facility providing up to \$290.0 million of debt capacity, under which approximately \$264.3 million was utilized at July 2, 2010 in the form of direct borrowings and letters of credit. While our access to capital has not been severely affected by the credit crisis currently impacting global markets, we believe the full effect of the crisis may increase our borrowing costs in the future. We believe that the capacity, terms and conditions of our long-term revolving credit facility, combined with other committed and uncommitted facilities we have in place, are adequate for our working capital and general business requirements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We do not enter into derivative financial instruments for trading, speculation or other purposes that would expose us to market risk. As more fully discussed below and in Item 1A *Risk Factors* of our 2009 Form 10-K (beginning on page 18 thereto), our results of operations are exposed to risks associated with fluctuations in interest rates and currency exchange rates.

Interest Rate Risk

Our only committed source for long-term credit is a \$290.0 million, long-term, unsecured revolving credit facility. The total amount outstanding under this facility at July 2, 2010 was \$0.5 million. This agreement expires in May 2012, and provides for both fixed-rate and variable-rate borrowings. Our objectives in managing our interest rate risk are to limit the impact of interest rate changes on earnings and cash flows, and to lower our overall borrowing costs. To achieve these objectives, we continuously monitor changes in interest rates, and use cash provided from operations to re-pay our borrowings as quickly as possible. Furthermore, the Company can use a combination of both fixed rate and variable rate debt to manage our exposure to interest rate risk.

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. 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 4. 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 July 2, 2010, the end of the period covered by this Quarterly Report on Form 10-Q (the Evaluation Date). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the Evaluation Date.

There were no changes in the Company's internal control over financial reporting during the quarter ended July 2, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

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 involves 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. This situation may subject us to some future liability for which we are only partially insured, or completely uninsured. We intend to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of our contracts.

Additionally, as a contractor providing services to agencies of the United States federal government, we are subject to many levels of audits, investigations and claims by, or on behalf of, the U.S. federal government with respect to our contract performance, pricing, costs, cost allocations, and procurement practices. Furthermore, our income, franchise, and similar tax returns and filings are also subject to audit and investigation by the Internal Revenue Service, most states within the United States as well as by various government agencies representing jurisdictions outside the United States.

In accordance with Accounting Standards Codification 450 *Contingencies* and Accounting Standards Codification 740 *Income Taxes*, we record in our Consolidated Balance Sheets amounts representing our estimated liability relating to such claims, guarantees, litigation, and audits and investigations. We include any adjustments to such reserves in our consolidated results of operations.

Management believes, after consultation with counsel, that such guarantees, litigation, United States Government contract-related audits, investigations and claims, and income tax audits and investigations should not have any material adverse effect on our consolidated financial statements.

On August 1, 2007 the I-35W bridge in Minneapolis, Minnesota suffered a tragic collapse. The bridge was designed and built in the early 1960's. Sverdrup & Parcel and Associates, Inc. ("Sverdrup & Parcel") provided design services to the Minnesota Department of Transportation ("MnDOT") on the bridge. Sverdrup & Parcel was a predecessor company to Sverdrup Corporation, a company acquired by Jacobs in 1999. Several lawsuits have been filed against a consultant who had been providing engineering analyses of the bridge prior to its collapse, and against a contractor who was providing maintenance and construction work on the bridge at the time of its collapse. No lawsuits have been filed directly against the Company by any of the primary plaintiffs. The consultant and the contractor have filed suit against the Company claiming that the Company was liable for negligent design services by Sverdrup & Parcel, and against MnDOT claiming that MnDOT had an obligation to inspect, maintain and repair the bridge and that it failed to do so. MnDOT has filed a suit against the Company claiming that it is entitled to be indemnified for any and all amounts that it pays out under its Victims Compensation Fund. We understand that the contractor has settled all of the plaintiffs' claims against it. The contractor's suit against the Company is in the process of being dismissed without any compensation being paid by the Company. The Company's motions to dismiss the remaining claims against it by the consultant and MnDOT based on the State Statute of Repose were denied. The Company has filed an appeal. The Company does not expect this matter to have any material adverse effect on its consolidated financial statements.

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On June 25, 2010, Jacobs subsidiary, Jacobs France SAS, received an unfavorable judgment from an Administrative Tribunal in Strasbourg, France relating to a waste incineration plant project in France.

The dispute involved a project to design and build a waste incineration plant in Sausheim, France by a consortium led by Serete for the SIVOM de Mulhousienne. The contract was entered into in 1996, prior to the acquisition of Serete by Jacobs in 1997. Jacobs filed suit in 2002 seeking approximately \$49 million in damages to recover its contract balance and additional project costs that it had incurred. The SIVOM counterclaimed for project completion costs, increased operating costs, and costs relating to emissions problems.

As a result of the judgment, the Company recorded a net, after-tax charge to earnings of approximately \$60.3 million, or \$0.48 per diluted share. The cash impact of the judgments is estimated to be approximately \$61.4 million; however, this amount is subject to change based on the timing of and interest due on any cash payments that the parties will make to each other.

Jacobs believes that the judgment of the Tribunal is not supported by the facts or by applicable law and intends to appeal.

Item 1A. Risk Factors.

Please refer to Item 1A *Risk Factors* on pages 18 through 29 of our 2009 Form 10-K, which is incorporated herein by reference. There have been no material changes from those risk factors previously disclosed in our 2009 Form 10-K.

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JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

Item 6. Exhibits

(a) Exhibits

10.1 #	Agreement between Jacobs Engineering Group Inc. and Noel G. Watson dated July 1, 2010.
10.2 #	Consulting Agreement between Jacobs Engineering Group Inc. and Noel G. Watson dated July 1, 2010.
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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Management contract or compensatory plan or arrangement

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JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

SIGNATURES

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

JACOBS ENGINEERING GROUP INC.

By: /s/ John W. Prosser, Jr.

John W. Prosser, Jr.

Executive Vice President

Finance and Administration

and Treasurer

(Principal Financial Officer)

Date: July 30, 2010