JACOBS ENGINEERING GROUP INC /DE/
Form 10-Q
August 06, 2018

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

FORM 10-Q
(Mark one)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 29, 2018
o 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)

Delaware	95-4081636
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1999 Bryan Street, Suite 1200, Dallas, Texas	75201
(Address of principal executive offices)	(Zip Code)

(214) 583 – 8500
(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 o 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 o No
Indicate by check-mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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. o
Indicate by check-mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No
Number of shares of common stock outstanding at July 27, 2018: 141,904,099

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

	June 29, 2018 (unaudited)	September 29, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$824,370	$774,151
Receivables	3,463,697	2,102,543
Prepaid expenses and other	187,978	119,486
Total current assets	4,476,045	2,996,180
Property, Equipment and Improvements, net	471,104	349,911
Other Noncurrent Assets:		
Goodwill	5,955,048	3,009,826
Intangibles, net	680,664	332,920
Miscellaneous	968,951	692,022
Total other noncurrent assets	7,604,663	4,034,768
	$12,551,812	$7,380,859
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	$8,964	$3,071
Accounts payable	1,072,057	683,605
Accrued liabilities	1,455,266	939,687
Billings in excess of costs	559,898	299,864
Total current liabilities	3,096,185	1,926,227
Long-term Debt	2,336,473	235,000
Other Deferred Liabilities	1,066,237	732,281
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—141,860,952 shares and 120,385,544 shares as of June 29, 2018 and September 29, 2017, respectively	141,861	120,386
Additional paid-in capital	2,670,620	1,239,782
Retained earnings	3,880,886	3,721,698
Accumulated other comprehensive loss	(728,176)	(653,514)
Total Jacobs stockholders' equity	5,965,191	4,428,352
Noncontrolling interests	87,726	58,999
Total Group stockholders' equity	6,052,917	4,487,351
	$12,551,812	$7,380,859

See the accompanying Notes to Consolidated Financial Statements – Unaudited.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the Three and Nine Months Ended June 29, 2018 and June 30, 2017
(In thousands, except per share information)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Revenues	$4,156,663	$2,514,751	$10,842,001	$7,368,922
Direct cost of contracts	(3,380,254)	(2,055,386)	(8,805,048)	(6,070,961)
Gross profit	776,409	459,365	2,036,953	1,297,961
Selling, general and administrative expenses	(563,680)	(330,890)	(1,630,294)	(1,012,685)
Operating Profit	212,729	128,475	406,659	285,276
Other Income (Expense):				
Interest income	1,277	2,123	6,896	5,697
Interest expense	(23,787)	(4,054)	(50,106)	(11,327)
Miscellaneous income (expense), net	2,564	852	(6,582)	(5,879)
Total other (expense) income, net	(19,946)	(1,079)	(49,792)	(11,509)
Earnings Before Taxes	192,783	127,396	356,867	273,767
Income Tax Expense	(42,712)	(38,767)	(152,302)	(79,820)
Net Earnings of the Group	150,071	88,629	204,565	193,947
Net (Earnings) Loss Attributable to Noncontrolling Interests	151	403	(3,593)	5,639
Net Earnings Attributable to Jacobs	$150,222	$89,032	$200,972	$199,586
Net Earnings Per Share:				
Basic	$1.05	$0.74	$1.47	$1.65
Diluted	$1.05	$0.74	$1.46	$1.64

See the accompanying Notes to Consolidated Financial Statements - Unaudited.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Three and Nine Months Ended June 29, 2018 and June 30, 2017
(In thousands)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Net Earnings of the Group	$150,071	$88,629	$204,565	$193,947
Other Comprehensive Income (Loss):				
Foreign currency translation adjustment	(114,044)	66,763	(86,350)	(179,320)
Gain (loss) on cash flow hedges	(107)	(4,386)	954	362
Change in pension liabilities	2,814	(13,991)	11,680	8,304
Other comprehensive income (loss) before taxes	(111,337)	48,386	(73,716)	(170,654)
Income Tax Expense:				
Cash flow hedges	786	1,016	637	(90)
Change in pension liabilities	(561)	2,220	(1,583)	(2,049)
Income Tax (Expense) Benefit:	225	3,236	(946)	(2,139)
Net other comprehensive income (loss)	(111,112)	51,622	(74,662)	(172,793)
Net Comprehensive Income (Loss) of the Group	38,959	140,251	129,903	21,154
Net (Earnings) Loss Attributable to Noncontrolling Interests	151	403	(3,593)	5,639
Net Comprehensive Income (Loss) Attributable to Jacobs	$39,110	$140,654	$126,310	$26,793

See the accompanying Notes to Consolidated Financial Statements - Unaudited.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended June 29, 2018 and June 30, 2017
(In thousands)
(Unaudited)

	For the Nine Months Ended	
	June 29, 2018	June 30, 2017
Cash Flows from Operating Activities:		
Net earnings attributable to the Group	$204,565	$193,947
Adjustments to reconcile net earnings to net cash flows provided by operations:		
Depreciation and amortization:		
Property, equipment and improvements	88,715	52,718
Intangible assets	58,495	34,891
(Gain) loss on sales of business	(444)	822
Stock based compensation	61,821	32,128
Tax deficiency from stock based compensation	—	(2,742)
Equity in earnings of operating ventures, net	(8,387)	(2,378)
(Gain) loss on disposals of assets, net	10,055	1,150
Loss (gain) on pension plan changes	3,819	(9,955)
Deferred income taxes	(7,374)	(20,152)
Changes in assets and liabilities, excluding the effects of businesses acquired:		
Receivables	(316,386)	44,163
Prepaid expenses and other current assets	5,620	(2,095)
Accounts payable	138,713	31,682
Accrued liabilities	(93,368)	(53,719)
Billings in excess of costs	34,695	70,974
Income taxes payable	101,451	23,161
Other deferred liabilities	(21,007)	(18,782)
Other, net	7,967	4,774
Net cash (used for) provided by operating activities	268,950	380,587
Cash Flows Used for Investing Activities:		
Additions to property and equipment	(63,408)	(73,552)
Disposals of property and equipment	428	1,274
Distributions of capital from (contributions to) equity investees	7,614	—
Acquisitions of businesses, net of cash acquired	(1,488,546)	(24,782)
Proceeds (payments) related to sales of businesses	3,403	(2,036)
Net cash used for investing activities	(1,540,509)	(99,096)
Cash Flows Provided by Financing Activities:		
Proceeds from long-term borrowings	5,371,355	1,065,289
Repayments of long-term borrowings	(3,970,130)	(1,169,763)
Proceeds from short-term borrowings	1,861	1,348
Repayments of short-term borrowings	(699)	(702)
Proceeds from issuances of common stock	33,588	53,290
Common stock repurchases	(2,982)	(97,180)
Excess tax benefits from stock based compensation	—	2,742
Taxes paid on vested restricted stock	(27,975)	—
Cash dividends, including to noncontrolling interests	(65,232)	(40,711)
Net cash provided by (used for) financing activities	1,339,786	(185,687)

Effect of Exchange Rate Changes	(18,008)	6,776
Net Increase in Cash and Cash Equivalents	50,219	102,580
Cash and Cash Equivalents at the Beginning of the Period	774,151	655,716
Cash and Cash Equivalents at the End of the Period	$824,370	$758,296

See the accompanying Notes to Consolidated Financial Statements – Unaudited.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED
June 29, 2018

1. 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 (“U.S. GAAP”) have been condensed or omitted. Readers of this Quarterly Report on Form 10-Q 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 September 29, 2017 (“2017 Form 10-K”).

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 June 29, 2018, and for the three and nine month periods ended June 29, 2018.

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

Please refer to Note 17 Definitions of Notes to Consolidated Financial Statements included in our 2017 Form 10-K for the definitions of certain terms used herein.

2. Use of Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires us to employ estimates and make assumptions that affect the reported amounts of certain assets and liabilities, the revenues and expenses reported for the periods covered by the accompanying consolidated financial statements, and certain amounts disclosed in these Notes to the Consolidated Financial Statements. Although such estimates and assumptions are based on management’s most recent assessment of the underlying facts and circumstances utilizing the most current information available and past experience, actual results could differ significantly from those estimates and assumptions. Our estimates, judgments, and assumptions are evaluated periodically and adjusted accordingly. Please refer to Note 2 Significant Accounting Policies of Notes to Consolidated Financial Statements included in our 2017 Form 10-K for a discussion of the significant estimates and assumptions affecting our consolidated financial statements.

3. Fair Value and Fair Value Measurements

Certain amounts included in the accompanying consolidated financial statements are presented at “fair value.” Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants as of the date fair value is determined (the “measurement date”). When determining fair value, we consider the principal or most advantageous market in which we would transact, and we consider only those assumptions we believe a typical market participant would consider when pricing an asset or liability. In measuring fair value, we use the following inputs in the order of priority indicated:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets included in Level 1, such as (i) quoted prices for similar assets or liabilities; (ii) quoted prices in markets that have insufficient volume or infrequent transactions (e.g., less active markets); and (iii) model-driven valuations in which all significant inputs are observable or can be derived principally from, or corroborated with, observable market data for substantially the full term of the asset or liability.

Level 3 - Unobservable inputs to the valuation methodology that are significant to the fair value measurement.

Please refer to Note 2 Significant Accounting Policies of Notes to Consolidated Financial Statements included in our 2017 Form 10-K for a more complete discussion of the various items within the consolidated financial statements measured at fair value and the methods used to determine fair value.
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. See Note 11 Long Term Debt for a discussion of the fair value of long-term debt.

4. New Accounting Pronouncements

From time to time, the Financial Accounting Standards Board ("FASB") issues accounting standards updates (each being 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 their effective dates and in the manner prescribed by the FASB.

Revenue Recognition

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. The effective date for ASU 2014-09 is for annual reporting periods beginning after December 15, 2017 and interim periods therein.
The Company's adoption activities are being performed over three phases: (i) assessment, (ii) design, and (iii) implementation. Our assessment and design phases are complete. We have established a cross-functional team to implement ASU 2014-09. As part of the implementation process, the Company has identified the following potentially significant differences to date:

Performance Obligations

Under current U.S. GAAP, the Company typically segments contracts that contain multiple services by service type, such as engineering, procurement and construction services, for purposes of revenue recognition.
Under ASU 2014-09, multiple-service contracts where the Company is responsible for providing a single deliverable (e.g., a constructed asset) will be treated as a single performance obligation for purposes of revenue recognition and thus no longer will be segmented. Typically, this will occur when the company is contracted to perform both engineering and construction on a project. In these circumstances, the timing and pattern of revenue recognition will change.
The remainder of the Company's contracts will continue to be treated as a single unit of account because they either contain only one service or because the Company has determined that the component services in the contract are distinct.

Contract Modifications

In many instances, the Company enters into separate contracts for related services (e.g., engineering and construction) but is held responsible for providing a single deliverable ("Phased Projects"). Under ASU 2014-09, the separate contracts may be required to be combined and treated as a single contract with one performance obligation. 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 analyzed its current Phased Projects and concluded that a number of these arrangements would be combined under ASU 2014-09.
Based on the two noted changes above, the Company has identified selected changes to our systems, processes and internal controls and designed updates for each to meet the standard's revised reporting and disclosure requirements.
The Company has also assessed the impact of ASU 2014-09 to the recently acquired CH2M business. We will align CH2M's accounting policies, processes and controls with the policies, processes and controls being implemented across the Company.
The Company will 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. The impact will depend on the magnitude of the items discussed above. While the Company will continue to evaluate

the impact through the implementation phase, we expect a downward adjustment to retained earnings in the period of adoption due to revenue timing for certain engineering and construction contracts shifting when they are accounted for as a single performance obligation.

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 new guidance currently requires a modified retrospective transition approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. In January 2018, the FASB released an exposure draft that, if issued in its current form, would provide us with the option to adopt the provisions of the new guidance prospectively, without adjusting the comparative periods presented. 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.

Other Pronouncements

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. ASU 2017-12 provides financial reporting improvements related to hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. Additionally, ASU No. 2017-12 makes certain targeted improvements to simplify the application of the hedge accounting guidance. The revised guidance becomes effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company is evaluating the impact of the new guidance on its consolidated financial statements. It is not expected that the updated guidance will have a significant impact on the Company’s consolidated financial statements.

ASU 2017-04, Simplifying the Test for Goodwill Impairment, is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. ASU 2017-04 removes the second step of the goodwill impairment test, which requires a hypothetical purchase price allocation. An entity will now recognize a goodwill impairment charge for the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit. Management does not expect the adoption of ASU 2017-04 to have any impact on the Company's financial position, results of operations or cash flows.

In March 2017, the FASB issued ASU No. 2017-07, Compensation- Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This new standard intends to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new standard requires the service cost component of net periodic cost be reported in the same line item(s) as other employee compensation costs and all other components of the net periodic cost be reported in the consolidated statements of earnings and comprehensive income below operating income. ASU 2017-7 is effective for fiscal years beginning after December 15, 2017 for public companies and early adoption is permitted. Management is currently evaluating the impact that the adoption of ASU 2017-07 will have on the Company's financial position, results of operations and cash flows.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. ASU 2018-02 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact that the adoption of ASU 2018-02 will have on the Company's financial position, results of operations and cash flows.

5. Business Combinations

On December 15, 2017, the Company completed the acquisition of CH2M HILL Companies, Ltd. (CH2M), an international provider of engineering, construction, and technical services, by acquiring 100% of the outstanding shares of CH2M common stock and preferred stock. The purpose of the acquisition was to further diversify the Company’s presence in the water, nuclear and environmental remediation sectors and to further the Company’s profitable growth strategy. The Company paid total consideration of approximately $1.8 billion in cash (excluding $315.2 million of cash acquired) and issued approximately $1.4 billion of Jacobs’ common stock, or 20.7 million shares, to the former stockholders and certain equity award holders of CH2M. In connection with the acquisition, the

Company also assumed CH2M's revolving credit facility and second lien notes, including a $20.0 million prepayment penalty, which totaled approximately $700 million of long-term debt. Immediately following the effective time of the acquisition, the Company repaid CH2M's revolving credit facility and second lien notes including the related prepayment penalty.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

The following summarizes the estimated fair values of CH2M assets acquired and liabilities assumed as of the acquisition date (in millions):

Assets	
Cash and cash equivalents	$315.2
Receivables	1,156.0
Prepaid expenses and other	72.7
Property, equipment and improvements, net	175.1
Goodwill	2,967.1
Identifiable intangible assets:	
Customer relationships, contracts and backlog	412.3
Lease intangible assets	4.4
Total identifiable intangible assets	416.7
Miscellaneous	353.2
Total Assets	$5,456.0
Liabilities	
Notes payable	$2.2
Accounts payable	309.6
Accrued liabilities	719.3
Billings in excess of costs	265.8
Identifiable intangible liabilities:	
Lease intangible liabilities	9.6
Long-term debt	705.9
Other deferred liabilities	381.6
Total Liabilities	2,394.0
Noncontrolling interests	(37.3)
Net assets acquired	$3,024.7

The purchase price allocation is based upon preliminary information and is subject to change when additional information is obtained. Goodwill recognized from the acquisition largely results from a substantial assembled workforce, which does not qualify for separate recognition, as well as expected future synergies from combining operations. None of the goodwill recognized is expected to be deductible for tax purposes. The Company has not completed its final assessment of the fair values of purchased receivables, intangible assets and liabilities, property, equipment and improvements, tax balances, contingent liabilities, long-term leases or acquired contracts. The final purchase price allocation will result in adjustments to certain assets and liabilities, including the residual amount allocated to goodwill. See Note 18, Commitments and Contingencies, relating to CH2M contingencies.

Since the initial preliminary estimates reported in the first quarter of 2018, the Company has updated certain provisional amounts reflected in the preliminary purchase price allocation, as summarized in the estimated fair values of CH2M assets acquired and liabilities assumed above. Specifically, the carrying amount of the intangible assets discussed above were decreased by $186.2 million as a result of valuation adjustments. Additionally, the carrying amount of property, equipment and improvements, net decreased by $50.5 million to reflect its estimated fair value, receivables decreased $45.9 million and accrued liabilities increased $60.3 million, respectively, primarily related to contracts. Further, miscellaneous long-term assets increased $75.8 million largely due to the deferred tax impact of these valuation adjustments. As a result of these adjustments to the initial preliminary purchase price allocation, goodwill has increased $268.3 million. Measurement period adjustments are recognized in the reporting period in which the adjustments are determined and calculated as if the accounting had been completed at the acquisition date.

Customer relationships, contracts and backlog intangibles represent the fair value of existing contracts, the underlying customer relationships and backlog of consolidated subsidiaries and have lives ranging from 9 to 11 years (weighted average life of approximately 10 years). Other intangible assets and liabilities primarily consist of the fair value of office leases and have a weighted average life of approximately 10 years.

Estimated fair value measurements relating to the CH2M acquisition are made primarily using Level 3 inputs including discounted cash flow techniques. Fair value is estimated using inputs primarily from the income approach, which include the use of both the multiple period excess earnings method and the relief from royalties method. The significant assumptions used in estimating fair value include (i) the estimated life the asset will contribute to cash flows, such as attrition rate of customers or remaining contractual terms, (ii) profitability and (iii) the estimated discount rate that reflect the level of risk associated with receiving future cash flows. The estimated fair value of land has been determined using the market approach, which arrives at an indication of value by comparing the site being valued to sites that have been recently acquired in arm's-length transactions. Buildings and land improvements are valued using the cost approach using a direct cost model built on estimates of replacement cost. Other personal property assets such as furniture, fixtures and equipment are valued using the cost approach which is based on replacement or reproduction costs of the asset less depreciation.

Other deferred liabilities were comprised primarily of pensions and other long-term employee related liabilities totaling approximately $291.0 million.

From the acquisition date of December 15, 2017 through the end of the third fiscal quarter of 2018, CH2M contributed approximately $2.5 billion in revenue and $87.9 million in pretax income included in the accompanying consolidated statement of earnings. Included in these results were approximately $93.3 million in pre-tax restructuring and transaction costs.

Transaction costs associated with the CH2M acquisition in the accompanying consolidated statements of earnings for the three and nine months ended June 29, 2018 are comprised of the following (in millions):

	Three Months Ended June 29, 2018	Nine Months Ended June 29, 2018
Personnel costs	$ 4.3	$ 50.2
Professional services and other expenses	1.1	27.9
Total	$ 5.4	$ 78.1

Personnel costs above include change of control payments and related severance costs.

The following presents summarized unaudited pro forma operating results of Jacobs assuming that the Company had acquired CH2M at October 1, 2016. These pro forma operating results are presented for illustrative purposes only and are not indicative of the operating results that would have been achieved had the related events occurred (in millions):

	Nine Months Ended	
	June 29, 2018	June 30, 2017
Revenues	$11,869.8	$10,709.9
Net earnings	$226.1	$130.8
Net earnings (loss) attributable to Jacobs	$222.1	$112.7
Net earnings (loss) attributable to Jacobs per share:		
Basic earnings (loss) per share	$1.56	$0.80
Diluted earnings (loss) per share	$1.55	$0.80

Included in the unaudited pro forma operating results are charges relating to transaction expenses, severance expense and other items that are removed from the nine months ended June 29, 2018 and are reflected in the nine months ended June 30, 2017 due to the assumed timing of the transaction. Also, income tax expense (benefit) for the nine month pro forma periods ended June 29, 2018 and June 30, 2017 was $180.4 million and ($14.9) million, respectively.

6. Goodwill and Intangibles

As a result of the segment realignment in the prior quarter (See Note 7, Segment Information), the historical carrying value of goodwill was allocated to the three remaining reportable segments to present balances on a comparable basis. The carrying value of goodwill appearing in the accompanying Consolidated Balance Sheets at June 29, 2018 and September 29, 2017 was as follows (in millions):

	Aerospace, Technology, Environmental and Nuclear	Buildings, Infrastructure and Advanced Facilities	Energy, Chemicals and Resources	Total
Balance September 29, 2017	$ 1,038.2	$ 1,048.8	$ 922.8	$ 3,009.8
Acquired	1,090.9	1,492.1	384.1	2,967.1
Post-Acquisition Adjustments	2.9	(0.1)	—	2.8
Foreign Exchange Impact	(8.2)	(9.5)	(7.0)	(24.7)
Balance June 29, 2018	$ 2,123.8	$ 2,531.3	$ 1,299.9	$ 5,955.0

During the preparation of our Quarterly Report on 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. 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 was 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 $287.5 million that was reported for the three months ended December 30, 2016. These adjustments had no impact on the Company's Consolidated Statements of Earnings or Cash Flows.

The following table provides certain information related to the Company's acquired intangibles in the accompanying Consolidated Balance Sheets at June 29, 2018 and September 29, 2017 (in thousands):

	Customer Relationships, Contracts and Backlog	Developed Technology	Trade Names	Patents	Lease Intangible Assets	Other	Total
Balances September 29, 2017	$ 301,468	$ 14,462	$ 6,699	$ 10,180	$ —	$ 111	$ 332,920
Acquisitions	412,300	237	—	—	4,415	—	416,952
Post-Acquisition Adjustments	200	(1,921)	(1,700)	—	—	—	(3,421)
Amortization	(54,288)	(1,150)	(2,292)	(310)	(417)	(38)	(58,495)
Foreign currency translation	(6,608)	—	(87)	(597)	—		(7,292)
Balances June 29, 2018	$ 653,072	$ 11,628	$ 2,620	$ 9,273	$ 3,998	$ 73	$ 680,664

In addition, we acquired $9.6 million in lease intangible liabilities in connection with the CH2M acquisition, of which $9.0 million remain unamortized at June 29, 2018.

The following table presents estimated amortization expense of intangible assets for the remainder of fiscal 2018 and for the succeeding years. The amounts below include preliminary amortization estimates for the CH2M opening balance sheet fair values of the customer relationships, contracts and backlog intangible assets that are still preliminary and are subject to change.

Fiscal Year	(in millions)
2018 (three months remaining)	$ 20.8
2019	86.4
2020	83.4
2021	79.8
2022	78.6
Thereafter	322.7
Total	$ 671.7

7. Segment Information

During the second quarter of fiscal 2018, we reorganized our operating and reporting structure around three lines of business (“LOBs”), which also serve as the Company’s operating segments. This reorganization occurred in conjunction with the integration of CH2M into the Company's legacy businesses, and is intended to better serve our global clients, leverage our workforce, help streamline operations, and provide enhanced growth opportunities. The three global LOBs are as follows: Aerospace, Technology, Environmental and Nuclear ("ATEN"); Buildings, Infrastructure and Advanced Facilities ("BIAF"); and Energy, Chemicals and Resources ("ECR"). Previously, the Company operated its business around four operating segments: Petroleum & Chemicals, Buildings & Infrastructure, Aerospace & Technology, and Industrial. Beginning in the second quarter of fiscal 2018, management no longer views or manages our Industrial line of business as a separate, distinct operating segment. Therefore, the elements of our former Industrial business are now presented within each of the three current operating segments as appropriate. The Company’s LOB leadership and internal reporting structures report to the Chief Executive Officer, who is also the Chief Operating Decision Maker (“CODM”), and enable the CODM to evaluate the performance of each of these segments and make appropriate resource allocations among each of the segments. For purposes of the Company’s goodwill impairment testing, it has been determined that the Company’s operating segments are also its reporting units based on management’s conclusion that the components comprising each of its operating segments share similar economic characteristics and meet the aggregation criteria for reporting units in accordance with ASC 350, Intangibles-Goodwill and Other.

Under the new organization, each LOB has a president that reports directly to the CODM. The sales function is managed on an LOB basis, and accordingly, the associated cost is embedded in the new segments and reported to the respective LOB presidents. In addition, a portion of the costs of other support functions (e.g., finance, legal, human resources, and information technology) is allocated to each LOB using methodologies which, we believe, effectively attribute the cost of these support functions to the revenue generating activities of the Company on a rational basis.

The cost of the Company’s cash incentive plan, the Management Incentive Plan (“MIP”) and the expense associated with the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan (“1999 SIP”) have likewise been charged to the LOBs except for those amounts determined to relate to the business as a whole (which amounts remain in other corporate expenses).

Financial information for each LOB is reviewed by the CODM to assess performance and make decisions regarding the allocation of resources. The Company generally does not track assets by LOB, nor does it provide such information to the CODM.

The CODM evaluates the operating performance of our LOBs using segment operating profit, which is defined as margin less “corporate charges” (e.g., the allocated amounts described above). The Company incurs certain Selling, General and Administrative costs (“SG&A”) that relate to its business as a whole which are not allocated to the LOBs.

On December 15, 2017, the Company completed the acquisition of CH2M. For purposes of the Company’s third quarter fiscal 2018 segment reporting, the operating financial information of CH2M has been categorized within the Company’s new LOB business structure, with its sales and operating profit results for the time period during which CH2M has been under the ownership of the Company being allocated to the Company’s ATEN, BIAF and ECR lines of business under a transitional business organization structure. The Company has not completed its final assessment of the CH2M purchase price allocation, including the fair value estimates of assets acquired and liabilities assumed.

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The following tables present total revenues and segment operating profit for each reportable segment (in thousands) 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 the Restructuring and other charges and CH2M transaction and integration costs (in thousands). Prior period information has been recast to reflect the current period presentation.

	For the Three Months Ended		For the Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Revenues from External Customers:				
Aerospace, Technology, Environmental and Nuclear	$1,221,306	$610,643	$3,072,900	$1,815,871
Buildings, Infrastructure and Advanced Facilities	1,707,072	987,159	4,497,249	2,823,882
Energy, Chemicals and Resources	1,228,285	916,949	3,271,852	2,729,169
Total	$4,156,663	$2,514,751	$10,842,001	$7,368,922

	For the Three Months Ended		For the Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Segment Operating Profit:				
Aerospace, Technology, Environmental and Nuclear (1)	$89,334	$49,383	$217,003	$143,781
Buildings, Infrastructure and Advanced Facilities (2)	145,901	72,991	347,887	191,680
Energy, Chemicals and Resources	61,969	45,792	164,759	120,106
Total Segment Operating Profit	297,204	168,166	729,649	455,567
Other Corporate Expenses (3)	(33,131)	(28,991)	(110,919)	(55,625)
Restructuring and Other Charges	(46,922)	(10,700)	(135,156)	(114,666)
CH2M Transaction Costs	(4,422)	—	(76,915)	—
Total U.S. GAAP Operating Profit	212,729	128,475	406,659	285,276
Total Other (Expense) Income, net (4)	(19,946)	(1,079)	(49,792)	(11,509)
Earnings Before Taxes	$192,783	$127,396	$356,867	$273,767

(1) Includes $15.0 million in charges during the nine month period ended June 29, 2018 associated with a legal matter.

(2) Excludes $22.6 million in restructuring and other charges for the nine months ended June 30, 2017. See Note 10, Restructuring and Other Charges.

(3) Includes $15.0 million in other corporate charges associated with a certain project for the three months ended June 29, 2018.

(4) Includes amortization of deferred financing fees related to the CH2M acquisition of $0.5 million and $1.2 million for the three and nine months ended June 29, 2018, respectively. Also includes $1.2 million of restructuring and other expenses for the nine months ended June 30, 2017.

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 the Management Incentive Plan and the 1999 SIP 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.

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.

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The following tables present total services revenues for each reportable segment for the three and nine months ended June 29, 2018 and June 30, 2017 (in thousands). Certain reclassifications have been made in connection with the segment realignment which took place in the second quarter of fiscal 2018.

	For the Three Months Ended June 29, 2018				For the Nine Months Ended June 29, 2018			
	Aerospace, Technology, Environmental and Nuclear	Buildings, Infrastructure and Advanced Facilities	Energy, Chemicals and Resources	Total	Aerospace, Technology, Environmental and Nuclear	Buildings, Infrastructure and Advanced Facilities	Energy, Chemicals and Resources	Total
Technical Professional Services Revenues								
Project Services	$592,290	$1,265,193	$275,884	$2,133,367	$1,415,382	$3,412,655	$908,397	$5,736,434
Process, Scientific, and Systems Consulting	316,175	2,982	6,971	326,128	823,404	7,453	18,488	849,345
Total Technical Professional Services Revenues	908,465	1,268,175	282,855	2,459,495	2,238,786	3,420,108	926,885	6,585,779
Field Services Revenues								
Construction	175,154	433,270	680,553	1,288,977	478,893	1,065,879	1,683,296	3,228,068
Operations and Maintenance ("O&M")	137,687	5,627	264,877	408,191	355,221	11,262	661,671	1,028,154
Total Field Services Revenues	312,841	438,897	945,430	1,697,168	834,114	1,077,141	2,344,967	4,256,222
	$1,221,306	$1,707,072	$1,228,285	$4,156,663	$3,072,900	$4,497,249	$3,271,852	$10,842,001

	For the Three Months Ended June 30, 2017				For the Nine Months Ended June 30, 2017			
	Aerospace, Technology, Environmental and Nuclear	Buildings, Infrastructure and Advanced Facilities	Energy, Chemicals and Resources	Total	Aerospace, Technology, Environmental and Nuclear	Buildings, Infrastructure and Advanced Facilities	Energy, Chemicals and Resources	Total
Technical Professional Services Revenues								
Project Services	$232,288	$ 704,940	$267,300	$1,204,528	$619,149	$ 1,992,889	$812,008	$3,424,046
Process, Scientific, and Systems Consulting	190,955	2,537	5,463	198,955	575,728	8,868	15,554	600,150

Total Technical Professional Services Revenues	423,243	707,477	272,763	1,403,483	1,194,877	2,001,757	827,562	4,024,196
Field Services Revenues								
Construction	82,295	276,013	483,911	842,219	254,505	811,410	1,445,720	2,511,635
Operations and Maintenance ("O&M")	105,105	3,669	160,275	269,049	366,489	10,715	455,887	833,091
Total Field Services Revenues	187,400	279,682	644,186	1,111,268	620,994	822,125	1,901,607	3,344,726
	$610,643	$ 987,159	$916,949	$2,514,751	$1,815,871	$ 2,823,882	$2,729,169	$7,368,922

8. Receivables

The following table presents the components of receivables appearing in the accompanying Consolidated Balance Sheets at June 29, 2018 and September 29, 2017, as well as certain other related information (in thousands):

	June 29, 2018	September 29, 2017
Components of receivables:		
Amounts billed, net	$1,595,644	$ 949,060
Unbilled receivables and other	1,844,918	1,118,144
Retentions receivable	23,135	35,339
Total receivables, net	$3,463,697	$ 2,102,543
Other information about receivables:		
Amounts due from the United States federal government, included above, net of advanced billings	$454,107	$ 226,236
Claims receivable	$4,600	$ 4,600

Amounts billed, net consist of amounts invoiced to clients in accordance with the terms of our client contracts and are shown net of an allowance for doubtful accounts. We anticipate that substantially all of such billed amounts will be collected over the next twelve months.

Unbilled receivables and other and Retentions receivable generally represent reimbursable costs, in some cases profit and amounts earned and reimbursable under contracts in progress, or in some cases completed, as of the respective balance sheet dates. Such amounts become billable according to the contract terms, which usually provide that such amounts become billable upon 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 twelve months.

Claims receivable are included in receivables in the accompanying Consolidated Balance Sheets and represent certain 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.

9. Property, Equipment and Improvements, Net

Property, Equipment and Improvements, Net in the accompanying Consolidated Balance Sheets at June 29, 2018 and September 29, 2017 consist of the following (in thousands):

	June 29, 2018	September 29, 2017
Land	$20,010	$ 17,197
Buildings	129,769	93,313
Equipment	715,476	627,609
Leasehold improvements	264,179	220,295
Construction in progress	24,887	21,300
	1,154,321	979,714
Accumulated depreciation and amortization	(683,217)	(629,803)
	$471,104	$ 349,911

10. Restructuring and Other Charges

During the fourth fiscal quarter of 2017, the Company implemented certain restructuring and pre-integration plans associated with the pending acquisition of CH2M, which closed on December 15, 2017. The restructuring activities and related costs under these plans were comprised mainly of severance and lease abandonment programs, while the pre-integration activities and costs were mainly related to the engagement of consulting services and internal personnel and other related costs dedicated to the Company’s acquisition integration management efforts. Following the closing of the CH2M acquisition, these activities have continued into the first three quarters of 2018 and include restructuring activities amounting to approximately $33.9 million and $94.6 million in pre-tax charges during the three and nine month periods ended June 29, 2018, respectively. The integration activities for the same periods amounted to approximately $12.6 million and $40.6 million in pre-tax charges for the three and nine months ended June 29, 2018, respectively. These activities are expected to continue through fiscal 2019 and are not expected to involve the exit of any service types or client end-markets.

During the second fiscal quarter of 2017, the Company entered into strategic business restructuring activities associated with realignment of its Europe, United Kingdom ("U.K.") and Middle East regional operations in our BIAF 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 the next twelve months.

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 LOBs was implemented. Actions related to the 2015 Restructuring included involuntary terminations, the abandonment of certain leased offices, combining operational organizations, and the colocation of employees into other existing offices. These activities did not involve the exit of any service types or client end-markets. The 2015 Restructuring was completed in fiscal 2017, although related cash payments continue to be made under the related accruals recorded in connection with these activities.

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

The following table summarizes the impacts of the Restructuring and other charges (or recoveries, which primarily relate to the reversals of lease abandonment accruals related to previously vacated facilities which are now planned to be utilized) by line of business in connection with the CH2M acquisition for the three and nine months ended June 29, 2018 and the 2015 Restructuring and realignment of the Company's Europe, U.K. and Middle East regional operations for the three and nine months ended June 30, 2017 (in thousands):

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Aerospace, Technology, Environmental and Nuclear	$16,936	$(18)	$18,655	$1,628
Buildings, Infrastructure and Advanced Facilities	32,423	8,504	53,603	47,697
Energy, Chemicals and Resources	16,379	(652)	12,412	35,790
Corporate (1)	(19,282)	2,866	50,486	30,784
Total	$46,456	$10,700	$135,156	$115,899

(1) The three month ended June 29, 2018 amounts reflect certain reclassifications between corporate and the lines of businesses associated with the CH2M acquisition to conform with year to date presentations.

The activity in the Company’s accrual for the Restructuring and other charges for the nine-month period ended June 29, 2018 is as follows (in thousands):

Balance at September 29, 2017	$142,767
CH2M acquisition assumed liabilities	31,576
CH2M charges	135,156
Payments and other	(133,324)

Balance at June 29, 2018	$176,175

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The following table summarizes the Restructuring and other charges by major type of costs in connection with the CH2M acquisition for the three and nine month periods ended June 29, 2018, and the 2015 Restructuring and realignment of the Company's Europe, U.K. and Middle East regional operations for the three and nine months ended June 30, 2017 (in thousands):

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Lease Abandonments	$14,678	$2,712	$55,114	$47,313
Involuntary Terminations	10,215	4,120	29,335	34,006
Outside Services	11,418	684	28,176	4,236
Other	10,145	3,184	22,531	30,344
Total	$46,456	$10,700	$135,156	$115,899

Cumulative amounts incurred to date for Restructuring and other charges by each major type of cost as of June 29, 2018 are as follows (in thousands):

Lease Abandonments	$293,973
Involuntary Terminations	213,914
Outside Services	52,545
Other	55,262
Total	$615,694

11. Long-term Debt

At June 29, 2018 and September 29, 2017, long-term debt consisted of the following (principal amounts in thousands):

	Interest Rate	Maturity	June 29, 2018	September 29, 2017
Revolving Credit Facility	LIBOR + applicable margin (1)	February 2020	$338,816	$235,000
Term Loan Facility	LIBOR + applicable margin (2)	December 2020	1,500,000	—
Fixed-rate notes due:				
Senior Notes, Series A	4.27%	May 2025	190,000	—
Senior Notes, Series B	4.42%	May 2028	180,000	—
Senior Notes, Series C	4.52%	May 2030	130,000	—
Less: Deferred Financing Fees			(5,409)	—
Other	Varies	Varies	3,066	—
Total Long-term debt, net			$2,336,473	$235,000

(1) Depending on the Company’s Consolidated Leverage Ratio (as defined in the credit agreement governing the Revolving Credit Facility), borrowings under the Revolving Credit Facility bear interest at either a eurocurrency rate plus a margin of between 1.0% and 1.5% or a base rate plus a margin of between 0% and 0.5%. The applicable LIBOR rates at June 29, 2018 and September 29, 2017 were approximately 1.38% to 3.36% and 1.0% to 2.23%, respectively.

(2) Depending on the Company’s Consolidated Leverage Ratio (as defined in the credit agreement governing the Term Loan Facility), borrowings under the Term Loan Facility bear interest at either a eurocurrency rate plus a margin of between 1.0% and 1.5% or a base rate plus a margin of between 0% and 0.5%. The applicable LIBOR rate at June 29, 2018 was approximately 3.72%.

On February 7, 2014, Jacobs and certain of its subsidiaries entered into a $1.6 billion long-term unsecured, revolving credit facility (as amended, the “Revolving Credit Facility”) with a syndicate of large U.S. and international banks and financial institutions. The Revolving Credit Facility provides an accordion feature that allows the Company and the lenders to increase the facility amount to $2.1 billion. On September 28, 2017, the Company entered into a Second Amendment to the Revolving Credit Facility, which provides for, among other things, an amendment to certain financial definitions used in the Revolving Credit Facility, including “Consolidated EBITDA” and increases the permitted leverage ratio on a short-term basis in relation to the acquisition of

CH2M and future permitted material acquisitions. This Second Amendment was effective upon the consummation of the acquisition of CH2M in December 2017.

The Revolving Credit Facility permits the Company to borrow under two separate tranches in U.S. dollars, certain specified foreign currencies, and any other currency that may be approved in accordance with the terms of the Revolving Credit Facility. The Revolving Credit Facility also provides for a financial letter of credit sub facility of $300.0 million, permits performance letters of credit, and provides for a $50.0 million sub facility for swing line loans. Letters of credit are subject to fees based on the Company’s Consolidated Leverage Ratio at the time any such letter of credit is issued. The Company pays a facility fee of between 0.100% and 0.250% per annum depending on the Company’s Consolidated Leverage Ratio. Amounts outstanding under the Revolving Credit Facility may be prepaid at the option of the Company without premium or penalty, subject to customary breakage fees in connection with the prepayment of euro currency loans. The Revolving Credit Facility contains affirmative, negative, and financial covenants customary for financings of this type including, among other things, limitations on certain other indebtedness, investments, liens, acquisitions, dispositions, fundamental changes and transactions with affiliates. In addition, the Revolving Credit Facility contains customary events of default. We were in compliance with the covenants under the Revolving Credit Facility at June 29, 2018.

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. We incurred loans under the Term Loan Facility on December 15, 2017 in connection with the closing of the CH2M acquisition in order to pay cash consideration for the acquisition, and to pay fees and expenses related to the acquisition and the Term Loan Facility. Amounts outstanding under the Term Loan Facility may be prepaid at the option of the Company without premium or penalty, subject to customary breakage fees in connection with the prepayment of eurocurrency loans. The Term Loan Facility contains affirmative, negative and financial covenants customary for financings of this type, including, among other things, limitations on certain other indebtedness, investments, liens, acquisitions, dispositions fundamental changes and transactions with affiliates. In addition, the Term Loan Facility contains customary events of default. We were in compliance with the covenants under the Term Loan Facility at June 29, 2018.

On March 12, 2018, Jacobs entered into a note purchase agreement (as amended, the "Note Purchase Agreement") with respect to the issuance and sale in a private placement transaction of $500.0 million in the aggregate principal amount of the Company’s senior notes in three series (collectively, the “Senior Notes”). The Note Purchase Agreement provides that if the Company's consolidated leverage ratio exceeds a certain amount, the interest on the Senior Notes may increase by 75 basis points. The Senior Notes may be prepaid at any time subject to a make-whole premium. The sale of the Senior Notes closed on May 15, 2018. The Company used the net proceeds from the offering of Senior Notes to repay certain existing indebtedness and for other general corporate purposes. The Note Purchase Agreement contains affirmative, negative and financial covenants customary for financings of this type, including, among other things, covenants to maintain a minimum consolidated net worth and maximum consolidated leverage ratio and limitations on certain other indebtedness, liens, mergers, dispositions and transactions with affiliates. In addition, the Note Purchase Agreement contains customary events of default. We were in compliance with the covenants under the Note Purchase Agreement at June 29, 2018.

In conjunction with the acquisition of CH2M, the Company assumed certain long-term financing that was incurred by CH2M prior to the acquisition. The total balance included in long-term debt assumed as of June 29, 2018 was $3.1 million, which is primarily comprised of equipment financing, bearing interest rates ranging from 0.22% to 3.29% due in monthly installments through September 2021.

We believe the carrying value of the Revolving Credit Facility, the Term Loan Facility and Other debt outstanding approximates fair value based on the interest rates and scheduled maturities applicable to the outstanding borrowings. The fair value of the Senior Notes is estimated to be $498.4 million at June 29, 2018, based on Level 2 inputs. The fair value is determined by discounting future cash flows using interest rates available for issuances with similar terms and average maturities.

The Company has issued $2.5 million in letters of credit under the Revolving Credit Facility, leaving $1.3 billion of available borrowing capacity under the Revolving Credit Facility at June 29, 2018. In addition, the Company had issued $446.7 million under separate, committed and uncommitted letter-of-credit facilities for total issued letters of credit of $449.2 million at June 29, 2018.

12. Revenue Accounting for Contracts / Accounting for 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. Precontract costs are generally expensed as incurred, unless they are directly associated with an anticipated contract and recoverability from that contract is probable. 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. 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. The percentage of revenues realized by the Company by type of contract during fiscal 2017 can be found in Note 1 Description of Business and Basis of Presentation of Notes to Consolidated Financial Statements included in our 2017 Form 10-K.

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. 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 non-billable 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 for each of the three and nine month periods ended June 29, 2018 and June 30, 2017 (in thousands):

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Pass-through costs included in revenues	$889,147	$628,070	$2,198,197	$1,861,615

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 variable interest entity (“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 been determined to be the primary beneficiary.

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

13. Defined Pension Benefit Obligations

The following table presents the components of net periodic benefit cost recognized in earnings during the three and nine months ended June 29, 2018 and June 30, 2017 (in thousands):

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Component:				
Service cost	$3,720	$2,349	$8,685	$6,749
Interest cost	19,416	9,357	46,987	26,786
Expected return on plan assets	(31,388)	(16,722)	(76,406)	(47,837)
Amortization of previously unrecognized items	2,814	3,770	7,861	10,858
Settlement loss (gain)	—	51	3,819	135
	$(5,438)	$(1,195)	$(9,054)	$(3,309)

In December 2017, the Company incurred a settlement loss of approximately $3.8 million related to its Sverdrup pension plan in the U.S.

In connection with the acquisition of CH2M on December 15, 2017, the Company preliminarily recorded estimates of CH2M’s pension plan assets and liabilities which are reflected in the amounts of $1.1 billion and ($1.2 billion), respectively. CH2M sponsors several defined benefit pension plans primarily in the U.S. and the U.K. In the U.S., CH2M has three noncontributory defined benefit pension plans. Plan benefits are generally based on years of service and compensation during the span of employment.

The following table presents certain information regarding the Company’s cash contributions to our pension plans for fiscal 2018 (in thousands):

Cash contributions made during the first nine months of fiscal 2018	$18,862
Cash contributions projected for the remainder of fiscal 2018	61,161
Total	$80,023

During July 2018, the Company made contributions of $55.0 million to our pension plans, primarily for plans acquired as part of the CH2M transaction.

14. Share-based Payments

During the first quarter of fiscal year 2018, the Company adopted ASU No 2016-09, Improvements to Employee Share Based Payment Accounting. As a result, the cash paid by the Company to taxing authorities as a result of withholding shares for the exercise of employee stock awards is classified as financing activity and this change is adopted retrospectively. Additionally, all excess tax benefits related to share-based payments in our provision for income taxes are now classified as an operating activity along with other income taxes in the statement of cash flows and this change is applied prospectively. These items were historically recorded in additional paid-in capital and in financing activities. The amount recognized by the Company in excess tax benefits related to share-based payments in our provision for income taxes for the three and nine months ended June 29, 2018 was not material.

Finally, we have elected to begin accounting for share-based compensation award forfeitures when they occur instead of estimating the number of forfeitures expected in accordance with the new guidance. This change in accounting policy for share-based compensation award forfeitures resulted in a $1.8 million cumulative effect of change in accounting principle to retained earnings in the Company’s Consolidated Balance Sheets.

15. Accumulated Other Comprehensive Income

The following table presents the Company's roll forward of accumulated other comprehensive income (loss) after-tax for the nine months ended June 29, 2018 (in thousands):

	Change in Pension Liabilities	Foreign Currency Translation Adjustment	Gain/(Loss) on Cash Flow Hedges	Total
Balance at September 29, 2017	$(265,578)	$(386,141)	$(1,795)	$(653,514)
Net other comprehensive income (loss)	10,097	(86,350)	1,591	(74,662)
Balance at June 29, 2018	$(255,481)	$(472,491)	$(204)	$(728,176)

16. Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted in the United States. The Act reduced the corporate U.S. federal statutory tax rate from 35% to 21% starting on January 1, 2018, resulting in a blended statutory tax rate for fiscal year filers. The Company’s blended federal statutory tax rate for fiscal 2018 is 24.6%. It also requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries, places limitations and exclusions on varied tax deductions and creates new taxes on certain foreign sourced earnings. The majority of the tax provisions, excluding the change in corporate tax rates, are effective for the first tax year beginning after January 1, 2018, which will be the Company’s taxable year beginning fiscal 2019.

Given the significance of the legislation, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), which allows registrants to record provisional amounts during a one year “measurement period” similar to that used when accounting for business combinations. However, the measurement period is deemed to have ended earlier when the registrant has obtained, prepared and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared or analyzed.

SAB 118 summarizes a three-step process to be applied at each reporting period to account for and qualitatively disclose: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (or adjustments to provisional amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with law prior to the enactment of the Act.

As of June 29, 2018, we have not completed our accounting for the tax effects of the enactment of the Act. However, we have made a provisional estimate of the effects of the statutory tax rate reduction impact on our existing deferred tax balances and the one-time transition tax. We are not yet able to make a reasonable estimate on the other aspects of the Act and continue to account for those items based on our existing accounting under ASC 740, Income Taxes, and the provisions of the tax laws that were in effect immediately prior to enactment of the Act.

For the deferred tax balances, we remeasured the U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. The Company’s revised provisional remeasurement resulted in a $14.0 million net unfavorable discrete charge to income tax expense for the nine months ended June 29, 2018. In addition, during the first quarter of fiscal 2018 the Company recorded a provisional valuation allowance with respect to certain foreign tax credit deferred tax assets as a result of the Tax Act in the amount of $52.5 million. We are still analyzing many aspects of the Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax assets and liabilities.

The Act calls for a one-time tax on deemed repatriation of foreign earnings. This one-time transition tax is based on our total post-1986 earnings and profits (E&P) of certain of our foreign subsidiaries. We have made a provisional estimate of the transition tax. Based upon our review of the Company’s historical foreign tax credit position and post-1986 E&P, it is estimated at this time that the Company should have a $13.1 million expense related to the transition tax. The Company has sufficient foreign tax credits that are expected to offset the transition tax. The net tax cash impact is anticipated to be zero. However, we are still in the process of completing our calculation of the total post-1986 E&P for the newly acquired foreign subsidiaries related to the recent CH2M acquisition. Our estimate may change when we finalize the calculation of post-1986 foreign E&P previously deferred from U.S. federal taxation and finalize the amounts held in cash or other specified assets.

The Company’s consolidated effective income tax rate for the three months ended June 29, 2018 decreased to 22.2% from 30.4% when compared to the corresponding period last year. The decrease in the quarterly effective tax rate is primarily due to the reduction in the U.S. statutory tax rate, a $3.6 million discrete benefit related to internal revenue service code section 179D, a nonrecurring benefit of $2.8 million related to tax accounting method changes and a $5.7 million federal hurricane credit.

The Company’s consolidated effective income tax rate for the nine months ended June 29, 2018 was 42.7%, an increase from 29.2% for the corresponding period last year. The year over year increase in the effective tax rate is primarily due to an increase of $60.1 million in net discrete charges during the nine-month period. The increase in the discrete charges was primarily comprised of a valuation allowance charge of $52.5 million and a $14.0 million detriment from the provisional remeasurement of the deferred tax items in the U.S, offset by a $5.7 million benefit related to a federal hurricane credit.

The amount of income taxes the Company pays is subject to ongoing audits by tax jurisdictions around the world. In the normal course of business, the Company is subject to examination by tax authorities throughout the world, including such major jurisdictions as Australia, Canada, India, the Netherlands, the United Kingdom and the United States. Our estimate of the potential outcome of any uncertain tax issue is subject to our assessment of the relevant risks, facts, and circumstances existing at the time. The Company believes that it has adequately provided for reasonably foreseeable outcomes related to these matters. However, future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are made or resolved, which may impact our effective tax rate.

It is reasonably possible that, during the next twelve months, we may realize a decrease in our uncertain tax positions of approximately $7.2 million as a result of concluding various tax audits and closing tax years.

On December 15, 2017, the Company completed the acquisition of CH2M. For income tax purposes, the transaction was accounted for as a stock purchase. As a result of the acquisition, the Company adjusted its U.S. GAAP opening balance sheet of CH2M to reflect preliminary estimates of the fair value of the net assets acquired. For income tax purposes, the tax attributes and basis of net assets acquired carryover without any step-up to fair value. The Company has made preliminary estimates and recorded deferred taxes associated with the purchase accounting. It is expected that the Company will make adjustments to the purchase accounting over the relevant measurement period as allowed by ASC 805.

17. Earnings Per Share and Certain Related Information

Basic and diluted earnings per share (“EPS”) are computed using the two-class method, which is an earnings allocation method that determines EPS for common shares and participating securities. The undistributed earnings are allocated between common shares and participating securities as if all earnings had been distributed during the period. Participating securities and common shares have equal rights to undistributed earnings. Net earnings used for the purpose of determining basic and diluted EPS is determined by taking net earnings, less earnings available to participating securities.

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The following table reconciles the denominator used to compute basic EPS to the denominator used to compute diluted EPS for the three and nine months ended June 29, 2018 and June 30, 2017 (in thousands):

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Numerator for Basic and Diluted EPS:				
Net income	$150,222	$89,032	$200,972	$199,586
Net income allocated to participating securities	(629)	(904)	(898)	(2,237)
Net income allocated to common stock for EPS calculation	$149,593	$88,128	$200,074	$197,349
Denominator for Basic and Diluted EPS:				
Weighted average basic shares	142,612	120,429	136,717	120,773
Shares allocated to participating securities	(597)	(1,223)	(743)	(1,413)
Shares used for calculating basic EPS attributable to common stock	142,015	119,206	135,974	119,360
Effect of dilutive securities:				
Stock compensation plans	1,014	650	1,028	794
Shares used for calculating diluted EPS attributable to common stock	143,029	119,856	137,002	120,154
Basic EPS	$1.05	$0.74	$1.47	$1.65
Diluted EPS	$1.05	$0.74	$1.46	$1.64

Share Repurchases

On July 23, 2015, the Company’s Board of Directors authorized a share repurchase program of up to $500.0 million of the Company’s common stock, to expire on July 31, 2018. On July 19, 2018, the Company's Board of Directors authorized the continuation of this share repurchase program for an additional three years, to expire on July 31, 2021. There were no share repurchases during the three months ended June 29, 2018.

The following table summarizes the activity under this program during fiscal 2018:

Amount Authorized	Average Price Per Share (1)	Total Shares Retired	Shares Repurchased
$500,000,000	$60.77	49,074	49,074

(1) Includes commissions paid and calculated at the average price per share.

Share repurchases may be executed through various means including, without limitation, open market transactions, privately negotiated transactions or otherwise. The share repurchase program does not obligate 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 share repurchases may depend upon market conditions, other uses of capital, and other factors.

Dividend Program

In the fourth fiscal quarter of 2017, the Company declared a dividend of $0.15 per share of the Company’s common stock that was paid in the first fiscal quarter of 2018. In the second and third fiscal quarters of 2018, the Company declared and paid a dividend of $0.15 per share of the Company’s common stock, for a total of $0.45 per share paid during the nine-month period ended June 29, 2018.

On July 19, 2018, the Company's Board of Directors declared a dividend of $0.15 per share of the Company's common stock that will be paid on August 31, 2018, to shareholders of record on the close of business on August 3, 2018. Future dividend declarations are subject to review and approval by the Company's Board of Directors.

18. Commitments and Contingencies

In the normal course of business, we make contractual commitments some of which are supported by separate guarantees; and on occasion we are a party in a litigation or arbitration proceeding. The litigation in which we are involved includes personal injury claims, professional liability claims, and breach of contract claims. In most cases, we are the defendant. Where we provide a separate guarantee, it is strictly in support of the underlying contractual commitment. Guarantees take various forms including surety bonds required by law, or standby letters of credit ("LOC") (also referred to as "bank guarantees") or corporate guarantees given to induce a party to enter into a contract with a subsidiary. Standby LOCs are also used as security for advance payments or in various other transactions. The guarantees have various expiration dates ranging from an arbitrary date to completion of our work (e.g., engineering only) to completion of the overall project.

At June 29, 2018 and September 30, 2017, the Company had issued and outstanding approximately $449.2 million and $262.1 million, respectively, in LOCs and $875.3 million and $57.4 million, respectively, in surety bonds.

We maintain insurance coverage for most insurable aspects of our business and operations. Our insurance programs have varying coverage limits depending upon the type of insurance, and include certain conditions and exclusions which insurance companies may raise in response to any claim that the Company brings. We have also elected to retain a portion of losses and liabilities that occur through the use of various deductibles, limits, and retentions under our insurance programs. As a result, we may be subject to a 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 the contracts which the Company enters with its clients. Our insurers are also subject to business risk and, as a result, one or more of them may be unable to fulfill their insurance obligations due to insolvency or otherwise.

Additionally, as a contractor providing services to the U.S. federal government we are subject to many types of audits, investigations, and claims by, or on behalf of, the government including with respect to contract performance, pricing, cost allocations, procurement practices, labor practices, and socioeconomic obligations. 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 U.S., as well as by various government agencies representing jurisdictions outside the U.S.

Our Consolidated Balance Sheets include amounts representing our probable estimated liability relating to such claims, guarantees, litigation, audits, and investigations. We perform an analysis to determine the level of reserves to establish for insurance-related claims that are known and have been asserted against us, as well as for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to our claims administrators as of the respective balance sheet dates. We include any adjustments to such insurance reserves in our consolidated results of operations.

The Company believes, after consultation with counsel, that such guarantees, litigation, U.S. government contract-related audits, investigations and claims, and income tax audits and investigations should not have a material adverse effect on our consolidated financial statements.

On September 30, 2015, Nui Phao Mining Company Limited ("NPMC") commenced arbitration proceedings against Jacobs E&C Australia Pty Limited ("Jacobs E&C"). The arbitration is pending in Singapore before the Singapore International Arbitration Centre. In March 2011, Jacobs E&C was engaged by NPMC for the provision of management, design, engineering, and procurement services for the Nui Phao mine/mineral processing project in Vietnam. In the Notice of Arbitration and in a subsequently filed Statement of Claim and Supplementary Statement of Claim dated February 1, 2016 and February 26, 2016, respectively, NPMC asserts various causes of action and alleges that the quantum of its claim exceeds $167.0 million. Jacobs has denied liability and is vigorously defending this claim. A three-week hearing on the merits concluded on December 15, 2017 and a decision is expected later this year. The Company does not expect the resolution of this matter to have a material adverse effect on its financial condition, results of operations or cash flows.

On December 7, 2009, the Judicial Council of California, Administrative Office of the Courts (“AOC”) initiated an action in the San Francisco County Superior Court against Jacobs Facilities Inc. (“JFI”) and Jacobs Project Management (“JPM”) and subsequently added Jacobs as a defendant. The action arises out of a contract between AOC and JFI pursuant to which JFI provided regular maintenance and repairs at certain AOC court facilities. AOC has alleged, among other things, that the Jacobs entities are required under California’s Contractors’ State License Law (“CSLL”) to disgorge certain fees paid by AOC, and the Jacobs entities have, among other things, cross-claimed for unpaid sums for work performed. On May 2, 2012, the jury returned a special verdict in favor of the Jacobs entities finding, among other things, JPM was owed approximately $4.7 million in unpaid fees and that JFI was not required to disgorge the approximate $18.3 million that AOC had paid for work performed. On August 20, 2015, the California Court of Appeal reversed the jury's verdict, holding that JFI had violated the CSLL. The Court of Appeal remanded to the San Francisco County Superior Court for an evidentiary hearing to determine whether the JFI had "substantially complied" with the CSLL under California Business and Professions Code Section 7031(e). Establishing "substantial compliance" would prevent $18.3 million in disgorgement against Jacobs and permit Jacobs to recover $4.7 million. The evidentiary hearing on substantial compliance was conducted between July 18 and August 5, 2016. On December 29, 2016, the court issued a Statement of Decision in favor of the Company, finding that JFI had substantially complied with the CSLL, and entered a judgment in favor of JPM in the amount of $4.7 million plus prejudgment interest. On January 30, 2017, AOC filed a notice of appeal. On July 13, 2018, the parties agreed to settle this matter. The resolution does not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

In 2012, CH2M HILL Australia Pty Limited, a subsidiary of CH2M, entered into a 50/50 integrated joint venture with Australian construction contractor UGL Infrastructure Pty Limited. The joint venture entered into a Consortium Agreement with General Electric and GE Electrical International Inc. The Consortium was awarded a subcontract by JKC Australia LNG Pty Limited for the engineering, procurement, construction and commissioning of a 360 MW Combined Cycle Power Plant for INPEX Operations Australia Pty Limited at Blaydin Point, Darwin, NT, Australia. In January 2017, the Consortium terminated the Subcontract because of JKC's repudiatory breach and demobilized from the work site. JKC claimed the Consortium abandoned the work and itself purported to terminate the Subcontract. The Consortium and JKC are now in dispute over the termination. In August 2017, the Consortium filed an International Chamber of Commerce arbitration against JKC for compensatory damages in the amount of $665.5 million for repudiatory breach or, in the alternative, seeking damages for unresolved contract claims and change orders. JKC has provided a preliminary estimate of the monetary value of its claims in the amount of approximately $1.7 billion and has drawn on bonds, CH2M's share of which totals approximately $26 million. This draw on bonds does not impact the Company's ultimate liability. A decision in this matter is not expected before 2020. If the Consortium is found liable, this matter could have a material adverse effect on the Company's business, financial condition, results of operations and /or cash flows, particularly in the short term. However, the Consortium has denied liability and is vigorously defending these claims, and based on the information currently available, the Company does not expect the resolution of this matter to have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

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

General

The purpose of this Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is to provide a narrative analysis explaining the reasons for material changes in the Company’s (i) financial condition from the most recent fiscal year-end to June 29, 2018, 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 in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations of our 2017 Form 10-K, and the most current discussion of our significant accounting policies appears in Note 2, Significant Accounting Polices in Notes to Consolidated Financial Statements of our 2017 Form 10-K;
- The Company’s fiscal 2017 audited consolidated financial statements and notes thereto included in our 2017 Form 10-K; and
- Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our 2017 Form 10-K.

In addition to historical information, this MD&A and other parts of this Quarterly Report on Form 10-Q may contain 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,” “ “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. Some of the factors that could cause or contribute to such differences include, but are not limited to, those listed and discussed in Item 1A, Risk Factors included in our 2017 Form 10-K and our subsequent Quarterly Report on Form 10-Q for the first fiscal quarter of 2018. 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, as well as the financial and business disclosures contained in this Quarterly Report on Form 10-Q and in other documents we file from time to time with the United States Securities and Exchange Commission ("SEC").

Lines of Business

During the second quarter of fiscal 2018, we reorganized our operating and reporting structure around three global lines of business (“LOBs”), which also serve as the Company’s operating segments: (i) Aerospace, Technology, Environmental and Nuclear, (ii) Buildings, Infrastructure and Advanced Facilities, and (iii) Energy, Chemicals and Resources. This reorganization occurred in conjunction with the integration of CH2M into the Company's legacy businesses, and is intended to better serve our global clients, leverage our workforce, help streamline operations, and provide enhanced growth opportunities. The Company’s LOB leadership and internal reporting structures report to the Chief Executive Officer, who is also the Chief Operating Decision Maker (“CODM”), and enable the CODM to evaluate the performance of each of these segments and make appropriate resource allocations among each of the segments. For purposes of the Company’s goodwill impairment testing, it has been determined that the Company’s operating segments are also its reporting units based on management’s conclusion that the components comprising each of its operating segments share similar economic characteristics and meet the aggregation criteria for reporting units in accordance with ASC 350, Intangibles-Goodwill and Other.

Under the new organization, each LOB has a president that reports directly to the CODM. The sales function is managed on an LOB basis, and accordingly, the associated cost is embedded in the new segments and reported to the respective LOB presidents. In addition, a portion of the costs of other support functions (e.g., finance, legal, human resources, and information technology) is allocated to each LOB using methodologies which, we believe, effectively attribute the cost of these support functions to the revenue generating activities of the Company on a rational basis.

The cost of the Company’s cash incentive plan, the Management Incentive Plan (“MIP”) and the expense associated with the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan (“1999 SIP”) have likewise been charged to the LOBs except for those amounts determined to relate to the business as a whole (which amounts remain in other corporate expenses).

Aerospace, Technology, Environmental and Nuclear (ATEN) – We provide an in-depth range of scientific, engineering, construction, nuclear, environmental 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 U.K. Nuclear Decommissioning Authority, NASA, the U.S. Department of Energy ("DoE"), the U.S. Department of Defense (“DoD”), the U.S. Special Operations Command ("USSOCOM"), 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 support to all phases of the nuclear life-cycle from initial planning through design, construction, commissioning, operations and decommissioning/decontamination on government sites within the US, and Canada and on both government and commercial sites in the UK. We provide environmental characterization and restoration services to commercial and government customers both in the U.S. and U.K. 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, as well as provide 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 and Advanced Facilities (BIAF) – We provide services to broad sectors including buildings, water, transportation (roads, rail, aviation and ports), and advanced facilities for life sciences, semiconductors, data centers, consumer products and other advanced manufacturing operations throughout North America, Europe, India, the Middle East, Australia and Asia. Our representative clients include national government departments/agencies in the U.S., Europe, U.K., Australia, and Asia, state and local departments of transportation within the U.S and private industry 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 provide full life cycle services including engineering design, construction management, design build and operations and maintenance.

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 provide our Life Sciences clients single-point consulting, engineering, procurement, construction management, and validation project delivery, enabling us to execute 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. Our manufacturing business areas include the Food & Beverage, Consumer Products and Pulp & Paper markets.

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.

Energy, Chemicals and Resources (ECR) – We serve the energy, chemicals and resources sectors, including upstream, midstream and downstream oil, gas, refining, chemicals and mining and minerals industries. We provide integrated delivery of complex projects for our Oil and Gas, Refining, and Petrochemicals clients. Bridging the upstream, midstream and downstream industries, our services encompass consulting, engineering, procurement, construction, maintenance and project management.

We provide services relating to onshore and offshore oil and gas production facilities, including fixed and floating platforms and subsea tie-backs, as well as full field development solutions, including processing facilities, gathering systems, transmission pipelines and terminals. Our heavy oil experience makes us a leader in upgrading, steam-assisted gravity drainage and in-situ oil sands projects. We have developed modular well pad and central processing facility designs. We also provide fit-for-purpose and standardized designs in the onshore conventional and unconventional space, 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 loading (FEED), detailed engineering, procurement, construction, maintenance and commissioning services. We deliver installed engineering, procurement and construction (EPC) solutions as to grass root plants, expansions and revamps of existing units. Our focus is on both the inside the battery limit (ISBL) processing units as well as utilities and off-sites. We have engineering alliances and 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. Our Comprimo Sulfur Solutions® is a significant technology for gas treatment and sulfur recovery plants around the world.

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

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 services, technology and manufactured equipment through our specialty chemicals group, where we own and license our proprietary technology. Our specialty chemicals areas are focused on sulfuric acid, sulphur, bleaching chemicals for pulp & paper, and synthetic chemicals, and manufactured equipment.
Our global Field Services unit supports construction and operations and maintenance ("O&M") across the company and performs our direct hire services.
Our construction activities include providing 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 (EPC/EPCM). However, we deliver construction-only projects when we have negotiated pricing and other contract terms we deem acceptable and which result in a fair return for the degree of risk we assume.
In our O&M business, we provide all services required to operate and maintain large, complex facilities on behalf of clients including asset management, direct hire maintenance and operations, complex turn-around planning and execution, and small capital programs. We provide key management and support services over all aspects of the operations of a facility, including managing subcontractors and other on-site personnel.
CH2M Acquisition
On December 15, 2017, the Company completed the acquisition of CH2M. For purposes of the Company's third quarter fiscal 2018 segment reporting, the operating financial information of CH2M has been categorized within the Company's new LOB business structure, with its sales and operating profit results for the time period during which CH2M has been under the ownership of the Company being allocated to the Company's ATEN, BIAF and ECR lines of business.

Restructuring and Other Charges
During the fourth fiscal quarter of 2017, the Company implemented certain restructuring and pre-integration plans associated with the pending acquisition of CH2M, which closed on December 15, 2017. The restructuring activities and related costs under these plans were comprised mainly of severance and lease abandonment programs, while the pre-integration activities and costs were mainly related to the engagement of consulting services and internal personnel and other related costs dedicated to the Company's acquisition integration management efforts. Following the closing of the CH2M acquisition, these activities have continued into the first three quarters of 2018 and include restructuring activities amounting to approximately \$33.9 million and \$94.6 million in pre-tax charges during the three and nine month periods ended June 29, 2018, respectively. The integration activities for the same periods amounted to approximately \$12.6 million and \$40.6 million in pre-tax charges for the three and nine months ended June 29, 2018, respectively. These activities are expected to continue through fiscal 2019 and are not expected to involve the exit of any service types or client end-markets. The Company is targeting to achieve annual cost savings of \$175.0 million upon the completion of these activities.
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 BIAF 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 the next 12 months.
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 LOBs was implemented. Actions related to the 2015 Restructuring included involuntary terminations, the abandonment of certain leased offices, combining operational organizations, and the colocation of employees into other existing offices. These activities did not involve the exit of any service types or client end-markets. The 2015 Restructuring was completed in fiscal 2017, although related cash payments continue under the related accruals recorded in connection with these activities.

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

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The following table summarizes the impacts of the Restructuring and other charges (or recoveries, which primarily relate to the reversals of lease abandonment accruals related to previously vacated facilities which are now planned to be utilized) by line of business in connection with the CH2M acquisition for the three and nine months ended June 29, 2018 and the 2015 Restructuring and realignment of the Company's Europe, U.K. and Middle East regional operations for the three and nine months ended June 30, 2017 (in thousands):

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Aerospace, Technology, Environmental and Nuclear	$16,936	$(18)	$18,655	$1,628
Buildings, Infrastructure and Advanced Facilities	32,423	8,504	53,603	47,697
Energy, Chemicals and Resources	16,379	(652)	12,412	35,790
Corporate (1)	(19,282)	2,866	50,486	30,784
Total	$46,456	$10,700	$135,156	$115,899

(1) The three month ended June 29, 2018 amounts reflect certain reclassifications between corporate and the lines of businesses associated with the CH2M acquisition to conform with year to date presentations.

The activity in the Company’s accrual for the Restructuring and other charges for the nine-month period ended June 29, 2018 is as follows (in thousands):

Balance at September 29, 2017	$142,767
CH2M acquisition assumed liabilities	31,576
CH2M charges	135,156
Payments and other	(133,324)
Balance at June 29, 2018	$176,175

The following table summarizes the Restructuring and other charges by major type of costs in connection with the CH2M acquisition for the three and nine months ended June 29, 2018 and the 2015 Restructuring and realignment of the Company's Europe, U.K. and Middle East regional operations for the three and nine months ended June 30, 2017 (in thousands):

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Lease Abandonments	$14,678	$2,712	$55,114	$47,313
Involuntary Terminations	10,215	4,120	29,335	34,006
Outside Services	11,418	684	28,176	4,236
Other	10,145	3,184	22,531	30,344
Total	$46,456	$10,700	$135,156	$115,899

Cumulative amounts incurred to date for Restructuring and other charges by each major type of costs as of June 29, 2018 are as follows (in thousands):

Lease Abandonments	$293,973
Involuntary Terminations	213,914
Outside Services	52,545
Other	55,262
Total	$615,694

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Results of Operations for the three and nine months ended June 29, 2018 and June 30, 2017
(in thousands, except per share information)

	For the Three Months Ended		For the Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Revenues	$4,156,663	$2,514,751	$10,842,001	$7,368,922
Direct cost of contracts	(3,380,254)	(2,055,386)	(8,805,048)	(6,070,961)
Gross profit	776,409	459,365	2,036,953	1,297,961
Selling, general and administrative expenses	(563,680)	(330,890)	(1,630,294)	(1,012,685)
Operating Profit	212,729	128,475	406,659	285,276
Other Income (Expense):				
Interest income	1,277	2,123	6,896	5,697
Interest expense	(23,787)	(4,054)	(50,106)	(11,327)
Miscellaneous income (expense), net	2,564	852	(6,582)	(5,879)
Total other (expense) income, net	(19,946)	(1,079)	(49,792)	(11,509)
Earnings Before Taxes	192,783	127,396	356,867	273,767
Income Tax Expense	(42,712)	(38,767)	(152,302)	(79,820)
Net Earnings of the Group	150,071	88,629	204,565	193,947
Net (Earnings) Loss Attributable to Noncontrolling Interests	151	403	(3,593)	5,639
Net Earnings Attributable to Jacobs	$150,222	$89,032	$200,972	$199,586
Net Earnings Per Share:				
Basic	$1.05	$0.74	$1.47	$1.65
Diluted	$1.05	$0.74	$1.46	$1.64

Overview – Three and Nine Months Ended June 29, 2018

Net earnings for the third fiscal quarter 2018 ended June 29, 2018, were $150.2 million (or $1.05 per diluted share), an increase of $61.2 million, or 68.7%, from $89.0 million (or $0.74 per diluted share) for the corresponding period last year. Included in the Company's operating results for the three months ended June 29, 2018 were $34.8 million in after tax Restructuring and other charges, $3.9 million in CH2M transaction costs and $5.3 million in income tax charges associated with the Tax Cuts and Jobs Act ("the Act") enacted on December 22, 2017. Our third quarter fiscal 2017 results included $6.3 million in after tax charges associated with Restructuring and other charges.

For the nine months ended June 29, 2018, net earnings were $201.0 million (or $1.46 per diluted share), an increase of $1.4 million, or 0.7%, from $199.6 million (or $1.64 per diluted share) for the corresponding period last year. Included in the Company's operating results for the nine months ended June 29, 2018 were $100.6 million in after tax Restructuring and other charges, $58.7 million in transaction costs associated with the Company's December 15, 2017 acquisition of CH2M and $74.7 million in income tax charges associated with the Act. The nine months ended June 30, 2017 included $74.3 million in after tax charges associated with Restructuring and other charges.

On December 15, 2017, the Company completed the acquisition of CH2M, an international provider of engineering, construction, and technical services, by acquiring 100% of the outstanding shares of CH2M common stock and preferred stock. The purpose of the acquisition was to further diversify the Company's market presence in the water, nuclear and environmental remediation sectors and to further the Company's growth strategy. The Company paid total consideration of approximately $1.8 billion in cash (excluding $315.2 million of cash acquired) and issued approximately $1.4 billion of Jacobs' common stock to the former stockholders and certain equity award holders of CH2M.

Consolidated Results of Operations

Revenues for the third fiscal quarter of 2018 were $4.16 billion, an increase of $1.64 billion, or 65.3% from $2.51 billion for the corresponding period last year. For the nine months ended June 29, 2018, revenues were $10.84 billion, an increase of $3.47 billion, or 47.1%, from $7.37 billion for the corresponding period last year. The increase in revenues was due primarily to favorable impacts from the CH2M acquisition, which contributed approximately $1.22

billion in incremental revenue for the quarter and $2.53 billion for the nine months ended June 29, 2018. Also, higher volumes in our legacy ATEN, BIAF and ECR businesses also contributed to the increase. Pass-through costs included in revenues for the three and nine months ended June 29, 2018 were $889.1 million and $2.20 billion, respectively, an increase of $261.1 million and $336.6 million, or 41.6% and 18.1%, respectively from the corresponding period last year. These year-over-year increases are due primarily to impacts from the CH2M acquisition as well as to pass-through costs in revenues from the ATEN businesses.

Gross profit for the third quarter of 2018 was $776.4 million, an increase of $317.0 million, or 69.0% from $459.4 million from the corresponding quarter in 2017. Our gross profit margins were 18.7% and 18.3% for the three-month periods ended June 29, 2018 and June 30, 2017, respectively. Gross profit for the nine months ended June 29, 2018 was $2,037.0 million, an increase of $739.0 million, or 56.9% from $1,298.0 million from the corresponding quarter in 2017. Our gross profit margins were 18.8% and 17.6% for the nine month periods ended June 29, 2018 and June 30, 2017, respectively. The higher volume impacts seen in our ATEN, BIAF and ECR businesses, incremental benefits of the CH2M businesses acquired, and our continuing strategic focus on realigning our portfolio to higher margin businesses and project execution drove improving gross profit and margins for the year over year periods.

SG&A expenses for the three months ended June 29, 2018 were $563.7 million, an increase of $232.8 million, or 70.4%, from $330.9 million for the corresponding period last year. SG&A expenses for the nine months ended June 29, 2018 were $1.63 billion, an increase of $617.6 million, or 61.0%, from $1,012.7 million for the corresponding period last year. The increase in SG&A expenses for the three months ended comparative period was due mainly to incremental SG&A expense from the acquired CH2M businesses amounting to approximately $176.8 million during the three-month 2018 period, which included $15.3 million of restructuring and other charges and deal related costs. Also, unfavorable impacts from foreign exchange (mainly from the stronger Euro and British Pound) approximated $4.5 million. SG&A expense for the three months ended June 29, 2018 included Restructuring and charges of $44.3 million and CH2M transaction costs of $4.4 million during the three-month period ended June 29, 2018, while SG&A expense for the three months ended June 30, 2017 included $9.5 million in charges from the 2015 Restructuring which concluded at the end of fiscal 2017. For the nine months ended June 29, 2018, the increase in SG&A expense was due mainly to incremental SG&A expense from the CH2M businesses acquired of approximately $473.7 million during the nine-month 2018 period, which included $93.3 million of restructuring and other charges and deal related costs, higher personnel related costs year over year and charges associated with a legal matter of $15.0 million. Also, unfavorable impacts from foreign exchange (mainly from the stronger Euro and British Pound) approximated $20.5 million.

Net interest expense for the three and nine months ended June 29, 2018 was $22.5 million and $43.2 million, respectively, an increase of $20.6 million and $37.6 million from $1.9 million and $5.6 million, respectively, for the corresponding periods last year. The increases in net interest expense as compared to the corresponding periods last year was due primarily to higher levels of average debt balances outstanding related to financing activities for the acquisition of CH2M, which was partially funded with term loan financing of $1.5 billion and revolving credit line borrowings of $850.0 million.

Miscellaneous income (expense), net for the three and nine months ended June 29, 2018 was $2.6 million and $(6.6) million, respectively, up $1.7 million and $(0.7) million from $0.9 million and $(5.9) million, respectively, for the corresponding periods last year. The increases were due primarily to unfavorable year over year impacts from unrealized gains and losses from foreign exchange.

On December 22, 2017, the Act was enacted in the United States. The Act reduces the top corporate U.S. federal statutory tax rate from 35% to 21% starting on January 1, 2018, resulting in a blended statutory tax rate for fiscal year filers. The Company’s blended federal statutory tax rate for fiscal 2018 is 24.6%. It also requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries, places limitations and exclusions on varied tax deductions and creates new taxes on certain foreign sourced earnings. The majority of the tax provisions are effective for the first tax year beginning after January 1, 2018, which will be the Company’s taxable year beginning fiscal 2019.

The Company’s consolidated effective income tax rate for the three and nine months ended June 29, 2018 was 22.2% and 42.7%, respectively, a decrease from 30.4% and an increase from 29.2%, respectively, for the corresponding periods last year. The decrease in the quarterly effective tax rate is primarily due to the reduction in the U.S. statutory tax rate, a $3.6 million discrete benefit related to internal revenue service code section 179D, a nonrecurring benefit of $2.8 million related to tax accounting method changes and a $5.7 million federal hurricane credit. The year over year increase in the effective tax rate is primarily due to an increase of $60.1 million in net discrete charges during the nine-month period. The increase in the discrete charges was primarily comprised of a valuation allowance charge of $52.5 million and a $14.0 million detriment from the provisional remeasurement of the deferred tax items in the U.S, offset by a $5.7 million benefit related to a federal hurricane credit.

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It is reasonably possible that, during the next 12 months, we may realize a decrease in our uncertain tax positions of approximately $7.2 million (being realized as a reduction in income tax expense) as a result of concluding various tax audits and closing tax years.

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 transaction expenses relating to the CH2M acquisition (in thousands).

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Revenues from External Customers:				
Aerospace, Technology, Environmental and Nuclear	$1,221,306	$610,643	$3,072,900	$1,815,871
Buildings, Infrastructure and Advanced Facilities	1,707,072	987,159	4,497,249	2,823,882
Energy, Chemicals and Resources	1,228,285	916,949	3,271,852	2,729,169
Total	$4,156,663	$2,514,751	$10,842,001	$7,368,922

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Segment Operating Profit:				
Aerospace, Technology, Environmental and Nuclear (1)	$89,334	$49,383	$217,003	$143,781
Buildings, Infrastructure and Advanced Facilities (2)	145,901	72,991	347,887	191,680
Energy, Chemicals and Resources	61,969	45,792	164,759	120,106
Total Segment Operating Profit	297,204	168,166	729,649	455,567
Other Corporate Expenses (3)	(33,131)	(28,991)	(110,919)	(55,625)
Restructuring and Other Charges	(46,922)	(10,700)	(135,156)	(114,666)
CH2M Transaction Costs	(4,422)	—	(76,915)	—
Total U.S. GAAP Operating Profit	212,729	128,475	406,659	285,276
Total Other (Expense) Income, net (4)	(19,946)	(1,079)	(49,792)	(11,509)
Earnings Before Taxes	$192,783	$127,396	$356,867	$273,767

(1) Includes $15.0 million in charges during the nine-month period ended June 29, 2018 associated with a legal matter.

(2) Excludes $22.6 million in restructuring and other charges for the nine months ended June 30, 2017. See Note 10, Restructuring and Other Charges.

(3) Includes $15.0 million in other corporate charges associated with a certain project for the three months ended June 29, 2018.

(4) Includes amortization of deferred financing fees related to the CH2M acquisition of $0.5 million and $1.2 million for the three and nine months ended June 29, 2018, respectively. Also includes $1.2 million of restructuring and other expenses for the nine months ended June 30, 2017.

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. Following the closing of the CH2M acquisition, these activities have continued into the first three quarters of fiscal 2018 and include associated charges for professional services, personnel costs, severance and costs associated with co-locating Jacobs and CH2M offices, amounting to approximately $46.5 million in pre-tax charges during third quarter ended June 29, 2018. These activities are expected to continue through 2019. These activities are not expected to involve the exit of any service types or client end-markets.

Transaction costs associated with the CH2M acquisition in the accompanying consolidated statements of earnings for the nine months ended June 29, 2018 are comprised of the following (in millions):

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Personnel costs	$50.2
Professional services and other expenses	27.9
Total	$78.1

Personnel costs above include change of control payments and related severance costs. In evaluating the Company's performance by operating segment, the CODM reviews 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, Environmental and Nuclear

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Revenue	$1,221,306	$610,643	$3,072,900	$1,815,871
Operating Profit	$89,334	$49,383	$217,003	$143,781

Aerospace, Technology, Environmental and Nuclear segment revenues for the three months ended June 29, 2018 were $1.22 billion, an increase of $610.7 million, or 100.0%, from $610.6 million for the corresponding period last year. Segment revenues for the nine months ended June 29, 2018 were $3.07 billion, an increase of $1,257.0 million, or 69.2%, from $1.82 billion for the corresponding period last year. The three and nine month increases in revenue were due in large part to approximately $392.5 million and $849.3 million, respectively, in incremental nuclear and environmental revenue resulting from the CH2M acquisition. Also, our revenues were positively impacted by year over year revenue volume growth across our legacy portfolio, highlighted by increased spending by customers in the U.S. government business sector and our nuclear and defense unit in the U.K. Impacts on revenues from favorable foreign currency were approximately $5.9 million and $25.7 million for the three and nine month periods of 2018 compared to the corresponding prior year periods in 2017, respectively.

Operating profit for the segment was $89.3 million for the three months ended June 29, 2018, an increase of $40.0 million, or 80.9%, from $49.4 million for the corresponding period last year. Operating profit for the segment was $217.0 million for the nine months ended June 29, 2018, an increase of $73.2 million, or 50.9% from $143.8 million for the corresponding period last year. In addition to incremental operating profit benefits from the CH2M acquisition, the increases from the prior year were primarily attributable to improvements in our nuclear and defense unit in the U.K., fee income with our AWE business and continued growth in profits from our U.S. governmental business sector. SG&A for the ATEN segment increased for the three and nine months ended June 29, 2018 attributable mainly to incremental SG&A associated with the CH2M acquisition during the first three quarters of fiscal 2018 and additional charges of $15.0 million associated with a legal matter primarily incurred during the second quarter of fiscal 2018.

Buildings, Infrastructure and Advanced Facilities

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Revenue	$1,707,072	$987,159	$4,497,249	$2,823,882
Operating Profit	$145,901	$72,991	$347,887	$191,680

Revenues for the Buildings, Infrastructure and Advanced Facilities segment for the three months ended June 29, 2018 were $1.71 billion, an increase of $719.9 million, or 72.9%, from $987.2 million for the corresponding period last year. Segment revenues for the nine months ended June 29, 2018 were $4.50 billion, an increase of $1.67 billion, or 59.3%, from $2.82 billion for the corresponding period last year. The year over year increases in revenues for the three and nine month periods were due in part to favorable impacts from the CH2M acquisition of approximately $734.1 million and $1.49 billion, respectively, together with revenue increases across all our businesses with strong investment in Life Sciences and transport infrastructure and project management/construction management

("PMCM") market. Impacts on revenues from favorable foreign currency were approximately $15.6 million and $74.4 million for the three and nine month periods of 2018 compared to the corresponding prior year periods in 2017, respectively.

Operating profit for the segment for the three months ended June 29, 2018 was $145.9 million, an increase of $72.9 million, or 99.9%, from $73.0 million for the comparative period in 2017. Operating profit for the segment for the nine months ended June 29, 2018 was $347.9 million, an increase of $156.2 million, or 81.5%, from $191.7 million for the comparative period in 2017. The year over year increases in operating profit for the three and nine month periods of 2018 compared to 2017 were in part due to favorable impacts from the CH2M acquisition, together with positive impacts from the higher year over year revenues for the segment. SG&A for the BIAF segment increased for the three and nine months ended June 29, 2018, respectively, with this increase being attributable mainly to incremental SG&A associated with the CH2M acquisition during the first three quarters of fiscal 2018.

Energy, Chemicals and Resources

	Three Months Ended		Nine Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
Revenue	$1,228,285	$916,949	$3,271,852	$2,729,169
Operating Profit	$61,969	$45,792	$164,759	$120,106

Energy, Chemicals and Resources revenues for the three months ended June 29, 2018 were $1.23 billion, an increase of $311.3 million, or 34.0%, from $916.9 million for the corresponding period last year. Segment revenues for the nine months ended June 29, 2018 were $3.27 billion, an increase of $542.7 million, or 19.9%, from $2.73 billion for the corresponding period last year. The increases in revenues for the three and nine months ended June 29, 2018 as compared to the prior year were due primarily to continued improvement in the construction operations and maintenance market as clients focus on capital efficiency and consolidating their customer portfolio, the continuing recovery of mining and minerals market with studies now beginning to progress into the investment phase, and the increasing trend among oil producers to drive downstream investments to refining and chemicals. Also, the CH2M acquisition added approximately $92.8 million to revenue during the quarter and approximately $196.3 million during the year to date period. Additionally, foreign currency impacts were favorable by approximately $20.7 million and $73.1 million, respectively, for the three and nine month periods of 2018 versus the corresponding periods of 2017.

Operating profit for the segment for the three months ended June 29, 2018 was $62.0 million, an increase of $16.2 million or 35.3% from $45.8 million for the corresponding period last year. Operating profit for the segment for the nine months ended June 29, 2018 was $164.8 million, an increase of $44.7 million, or 37.2%, from $120.1 million for the corresponding period last year. The increases in profitability were due to higher revenue across the portfolio. SG&A for the ECR segment was up for the three and nine month periods ended June 29, 2018 versus the 2017 periods, due mainly to incremental operating general and administrative expense coming with the CH2M acquisition. Additionally, included in the June 30, 2017 period was a one-time $9.9 million benefit associated with benefit plan changes in our India operations.

Other Corporate Expenses

Other corporate expenses for the three months ended June 29, 2018 were $33.1 million, an increase of $4.1 million from $29.0 million for the corresponding period last year and $110.9 million, an increase of $55.3 million from $55.6 million for the nine-month period ended June 29, 2018. These increases were due primarily to higher professional service fees, personnel related costs, amortization of intangible assets acquired in conjunction with the CH2M acquisition, settlement charges associated with the Sverdrup U.S. pension plan amounting to $3.8 million, higher depreciation associated with increased corporate technology investments and $15.0 million in other corporate adjustments associated with a certain project, partially offset by savings in other corporate expenses, including those associated with 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

Backlog is not a measure defined by generally accepted accounting principles in the United States ("GAAP") and our methodology for determining backlog may vary from the methodology used by other companies. Currently, we report a combined backlog number based upon the legacy reporting methodologies used by Jacobs and the acquired business of CH2M prior to the acquisition while we work to harmonize these reporting methodologies as part of the Company's integration activities underway.

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 several 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.

The following table summarizes our backlog at June 29, 2018 and June 30, 2017 (in millions):

	June 29, 2018	June 30, 2017
Aerospace, Technology, Environmental and Nuclear	$8,923	$5,676
Buildings, Infrastructure and Advanced Facilities	11,265	6,428
Energy, Chemicals and Resources	7,000	6,452
Total	$27,188	$18,556

The increase in backlog in Aerospace, Technology, Environmental and Nuclear from June 30, 2017 was primarily the result of new awards from the U.S. federal government and the CH2M acquisition.

The increase in backlog in Buildings, Infrastructure and Advanced Facilities from June 30, 2017 was primarily the result of new awards in Australia and the U.S. markets and the CH2M acquisition.

The increase in backlog in Energy, Chemicals and Resources from June 30, 2017 was due to the CH2M acquisition offset in part by work off of projects in the Americas with significant pass-through costs.

Liquidity and Capital Resources

At June 29, 2018, our principal sources of liquidity consisted of $824.4 million in cash and cash equivalents, $1,258.7 million of available borrowing capacity under our $1.6 billion 2014 revolving credit facility (the “Revolving Credit Facility”), and cash flows from operating activities.

On December 15, 2017, the Company completed the acquisition of CH2M HILL Companies, Ltd. (CH2M), an international provider of engineering, construction, and technical services, by acquiring 100% of the outstanding shares of CH2M common stock and preferred stock. The Company paid total consideration of approximately $1.8 billion in cash (excluding $315.2 million in cash acquired) and issued approximately $1.4 billion of Jacobs’ common stock to the former stockholders and certain equity award holders of CH2M. In connection with the acquisition, the Company also assumed CH2M’s revolving credit facility and second lien notes, including a $20.0 million prepayment penalty, which totaled approximately $700.0 million. Immediately following the effective time of the acquisition, the Company repaid CH2M’s revolving credit facility and second lien notes including the related prepayment penalty. The Company financed 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 included borrowings under the Term Loan Facility in an aggregate principal amount of $1.5 billion and additional borrowings under the Revolving Credit Facility.

At June 29, 2018, our cash and cash equivalents were $824.4 million, an increase of $50.2 million from $774.2 million at September 29, 2017.

This increase was due to cash flows provided by operations of $269.0 million and favorable cash flows from financing activities of $1.3 billion, partly offset by $1.5 billion in cash flows used in investing activities. On a comparative basis, cash and cash equivalents increased $102.6 million to $758.3 million during the nine month-period ended June 30, 2017 from $655.7 million at September 30, 2016. This increase was driven mainly by cash flow from operations of $380.6 million partly offset by cash flow used for financing activities of $185.7 million and cash flows used for investing activities of $99.1 million.

Our cash flow from operations of $269.0 million during the nine month period ended June 29, 2018 was comparatively lower than the $380.6 million in cash flow from operations for the corresponding period in fiscal 2017, due mainly to higher levels of working capital (mainly in accounts receivable), cash used for payments on the opening balance sheet liabilities and post-acquisition costs incurred in connection with the CH2M acquisition and payments associated with obligations from Restructuring and other charges, offset in part by higher net earnings adjusted for non-cash items year over year.

Our cash used in investing activities for the nine months ended June 29, 2018 was $1.5 billion, driven primarily by cash used for the CH2M acquisition, net of cash amounts acquired from the acquisition of $315.2 million. Additions to property and equipment were $10.1 million less in the current period compared to the prior period.

Our cash from financing activities of $1.3 billion for the nine months ended June 29, 2018 resulted mainly from proceeds from borrowings of $5.4 billion, a portion of which was used in connection with financing of the CH2M acquisition. Repayments of long term debt of $4.0 billion during the first three quarters of fiscal 2018 were up compared to $1.2 billion in the first three quarters of fiscal 2017, with this increase due mainly to the payoff of CH2M's legacy debt balances in connection with the closing of the acquisition. During the three months ended June 29, 2018, the Company completed its private placement of fixed rate Senior Notes pursuant to the Note Purchase Agreement in the aggregate principal amount of $500.0 million, which resulted in an equal amount of proceeds from the Note Purchase Agreement and repayments of the Revolving Credit Facility. Comparatively lower cash flows from proceeds from issuances of common stock during the nine-month period ended June 29, 2018 were offset by lower cash outflows for common stock repurchases. The Company paid $65.2 million in dividends, including to noncontrolling interests of $4.4 million, during the nine-month period ended June 29, 2018, with $40.7 million in dividends paid in the comparative prior year period.

At June 29, 2018, the Company had approximately $288.9 million in cash and cash equivalents held in the U.S. and $535.5 million held outside of the U.S. (primarily in the U.K., the Eurozone, Chile, and India), which is 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 included in our 2017 Form 10-K), there are no material impediments to repatriating these funds to the U.S.

The Company had $449.2 million in letters of credit outstanding at June 29, 2018. Of this amount, $2.5 million was issued under the Revolving Credit Facility and $446.7 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 debt service, pay dividends and buy back shares and support our ongoing acquisition strategy for the next twelve months based on the liquidity provided by our cash and cash equivalents on hand, our borrowing capacity remaining under the Revolving Credit Facility and our continuing cash from operations. We were in compliance with all of our debt covenants at June 29, 2018.

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 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 see the Note 11 Long-term Debt in Notes to Consolidated Financial Statements appearing under Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference, for a discussion of the Revolving

Credit Facility, Term Loan Facility and Note Purchase Agreement.

Our Term Loan Facility, Revolving Credit Facility, and certain other debt obligations are subject to variable rate interest which could be adversely affected by an increase in interest rates. As of June 29, 2018, we had an aggregate of $1.8 billion in outstanding borrowings under our Term Loan Facility and our Revolving Credit Facility. Interest on amounts borrowed under these agreements is subject to adjustment based on the Company's Consolidated Leverage Ratio (as defined in the credit agreements governing the Term Loan Facility and Revolving Credit Facility). Depending on the Company's Consolidated Leverage Ratio, borrowings under the Term Loan Facility and Revolving Credit Facility bear interest at a Eurocurrency rate plus a margin of between 1.0% and 1.5% or a base rate plus a margin of between 0% and 0.5%. Additionally, if our consolidated leverage ratio exceeds a certain amount, the interest on the Senior Notes may increase by 75 basis points.

For the nine months ended June 29, 2018, our weighted average floating rate borrowings were approximately $2.1 billion. If floating interest rates had increased by 1.00%, our interest expense for the nine months ended June 29, 2018 would have increased by approximately $15.4 million.

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 to limit our exposure to fluctuating foreign currencies. We follow the provisions of ASC No. 815, 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 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of its Chairman and Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal 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 June 29, 2018, the end of the period covered by this Quarterly Report on Form 10-Q (the "Evaluation Date"). Based on that evaluation, the Company's management, with the participation of the Chairman and Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) concluded that the Company's disclosure controls and procedures, as of the Evaluation Date, were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits 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 Company's Chairman and Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), as appropriate to allow timely decisions regarding required disclosure.

As previously disclosed, the Company acquired CH2M in December 2017. Prior to the acquisition, CH2M reported in their Annual Report on Form 10-K Part II – Item 9A – Controls and Procedures for the year ended December 30, 2016 that it had identified a material weakness in its internal controls over financial reporting relating to internal control deficiencies that involved the development of project cost estimates for long-term contracts accounted for under the percentage-of-completion method. Prior to the closing of the acquisition, CH2M management developed and initiated a plan to remediate these internal control deficiencies, which included the implementation of new and revised key internal controls. As of June 29, 2018, management of the Company has not fully assessed CH2M's internal control over financial reporting and is currently testing new and revised internal controls for design and operating effectiveness. As permitted by SEC guidance for newly acquired businesses, management's assessment of the Company's disclosure controls and procedures did not include an assessment of those disclosure controls and procedures of CH2M that are subsumed by internal control over financial reporting. CH2M accounted for approximately 42.1% of total assets as of the Evaluation Date and approximately 23.4% of total revenues of the Company for the nine-month period ended on the Evaluation Date.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's system of internal control over financial reporting, which were identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, during the quarter ended June 29, 2018 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The information required by this Item 1 is included in the Note 18, Commitments and Contingencies included in the Notes to Consolidated Financial Statements appearing under Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors.

Please refer to Item 1A, Risk Factors in our 2017 Form 10-K and our subsequent Quarterly Report on Form 10-Q for the first fiscal quarter of 2018, which are incorporated herein by reference, for a discussion of some of the factors that have affected our business, financial condition, and results of operations in the past and which could affect us in the future. There have been no material changes to those risk factors. Before making an investment decision with respect to our common stock, you should carefully consider those risk factors, as well as the financial and business disclosures contained in this Quarterly Report on Form 10-Q and our other current and periodic reports filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There were no sales of unregistered equity securities during the third fiscal quarter of 2018.

Share Repurchases

There were no share repurchases during the three months ended June 29, 2018. A summary of repurchases of our common stock made during the year to date period of fiscal 2018 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Numbers of Shares Purchased as Part Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 27, 2018 - February 23, 2018	49,074	$ 60.77	49,074	$247,288,018

(1) Includes commissions paid and calculated at the average price per share.

Item 3. Defaults Upon Senior Securities

None.

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 Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Quarterly Report on Form 10-Q.

Item 5. Other Information.

None.

Item 6. Exhibits.

10.1#	Jacobs Engineering Group Inc. Executive Severance Plan, effective May 2, 2018. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on May 4, 2018 and incorporated herein by reference.
10.2	First Amendment to the Note Purchase Agreement, dated May 11, 2018, by and among Jacobs Engineering Group Inc. and the Purchasers identified therein. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on May 15, 2018 and incorporated herein by reference.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
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.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
*Filed herewith

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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/ Kevin C. Berryman
Kevin C. Berryman
Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)

Date: August 6, 2018