

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

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended July 2, 2021

☐ **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

(State or other jurisdiction of incorporation or organization)

95-4081636

(I.R.S. Employer Identification Number)

1999 Bryan Street

(Address of principal executive offices)

Suite 1200

Dallas

Texas

75201

(Zip Code)

(214) 583 – 8500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

\_\_\_\_\_

Title of Each Class

Common Stock

\$1 par value

Trading Symbol(s)

J

Name of Each Exchange on Which Registered

New York Stock Exchange

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

Indicate by check-mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files): ☒ Yes ☐ 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 | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/>            |                           |                          |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐  
Indicate by check-mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Number of shares of common stock outstanding at July 26 2021: 130,314,412

**JACOBS ENGINEERING GROUP INC.**

**INDEX TO FORM 10-Q**

|          |                                                                                              | <u>Page No.</u> |
|----------|----------------------------------------------------------------------------------------------|-----------------|
| PART I   | <u>FINANCIAL INFORMATION</u>                                                                 |                 |
| Item 1.  | <u>Financial Statements</u>                                                                  | <u>3</u>        |
|          | <u>Consolidated Balance Sheets - Unaudited</u>                                               | <u>4</u>        |
|          | <u>Consolidated Statements of Earnings - Unaudited</u>                                       | <u>5</u>        |
|          | <u>Consolidated Statements of Comprehensive Income - Unaudited</u>                           | <u>6</u>        |
|          | <u>Consolidated Statements of Stockholders' Equity - Unaudited</u>                           | <u>7</u>        |
|          | <u>Consolidated Statements of Cash Flows - Unaudited</u>                                     | <u>9</u>        |
|          | <u>Notes to Consolidated Financial Statements - Unaudited</u>                                | <u>10</u>       |
| Item 2.  | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>40</u>       |
| Item 3.  | <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | <u>53</u>       |
| Item 4.  | <u>Controls and Procedures</u>                                                               | <u>53</u>       |
| PART II  | <u>OTHER INFORMATION</u>                                                                     |                 |
| Item 1.  | <u>Legal Proceedings</u>                                                                     | <u>55</u>       |
| Item 1A. | <u>Risk Factors</u>                                                                          | <u>55</u>       |
| Item 2.  | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | <u>55</u>       |
| Item 3.  | <u>Defaults Upon Senior Securities</u>                                                       | <u>55</u>       |
| Item 4.  | <u>Mine Safety Disclosures</u>                                                               | <u>55</u>       |
| Item 5.  | <u>Other Information</u>                                                                     | <u>55</u>       |
| Item 6.  | <u>Exhibits</u>                                                                              | <u>56</u>       |
|          | <u>SIGNATURES</u>                                                                            | <u>57</u>       |

**Part I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*(In thousands, except share information)*  
(Unaudited)

|                                                                                                                                                                                     | July 2, 2021         | October 2, 2020      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                                       |                      |                      |
| Current Assets:                                                                                                                                                                     |                      |                      |
| Cash and cash equivalents                                                                                                                                                           | \$ 966,146           | \$ 862,424           |
| Receivables and contract assets                                                                                                                                                     | 3,188,950            | 3,167,310            |
| Prepaid expenses and other                                                                                                                                                          | 137,072              | 162,355              |
| Investment in equity securities                                                                                                                                                     | 450,113              | 347,510              |
| Total current assets                                                                                                                                                                | 4,742,281            | 4,539,599            |
| Property, Equipment and Improvements, net                                                                                                                                           | 355,252              | 319,371              |
| Other Noncurrent Assets:                                                                                                                                                            |                      |                      |
| Goodwill                                                                                                                                                                            | 7,232,270            | 5,639,091            |
| Intangibles, net                                                                                                                                                                    | 1,635,221            | 658,340              |
| Deferred income tax assets                                                                                                                                                          | 178,901              | 211,047              |
| Operating lease right-of-use assets                                                                                                                                                 | 671,867              | 576,915              |
| Miscellaneous                                                                                                                                                                       | 393,492              | 409,990              |
| Total other noncurrent assets                                                                                                                                                       | 10,111,751           | 7,495,383            |
|                                                                                                                                                                                     | <u>\$ 15,209,284</u> | <u>\$ 12,354,353</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                                         |                      |                      |
| Current Liabilities:                                                                                                                                                                |                      |                      |
| Short-term debt                                                                                                                                                                     | \$ 53,813            | \$ —                 |
| Accounts payable                                                                                                                                                                    | 923,265              | 1,061,754            |
| Accrued liabilities                                                                                                                                                                 | 1,525,987            | 1,249,883            |
| Operating lease liability                                                                                                                                                           | 174,698              | 164,312              |
| Contract liabilities                                                                                                                                                                | 565,457              | 465,648              |
| Total current liabilities                                                                                                                                                           | 3,243,220            | 2,941,597            |
| Long-term Debt                                                                                                                                                                      | 3,067,745            | 1,676,941            |
| Liabilities relating to defined benefit pension and retirement plans                                                                                                                | 537,240              | 568,176              |
| Deferred income tax liabilities                                                                                                                                                     | 204,262              | 3,366                |
| Long-term operating lease liability                                                                                                                                                 | 792,602              | 735,202              |
| Other deferred liabilities                                                                                                                                                          | 576,423              | 573,404              |
| Commitments and Contingencies                                                                                                                                                       |                      |                      |
| Redeemable Noncontrolling interests                                                                                                                                                 | 601,175              | —                    |
| 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 130,293,392 shares and 129,747,783 shares as of July 2, 2021 and October 2, 2020, respectively | 130,293              | 129,748              |
| Additional paid-in capital                                                                                                                                                          | 2,646,851            | 2,598,446            |
| Retained earnings                                                                                                                                                                   | 4,246,173            | 4,020,575            |
| Accumulated other comprehensive loss                                                                                                                                                | (870,411)            | (933,057)            |
| Total Jacobs stockholders' equity                                                                                                                                                   | 6,152,906            | 5,815,712            |
| Noncontrolling interests                                                                                                                                                            | 33,711               | 39,955               |
| Total Group stockholders' equity                                                                                                                                                    | 6,186,617            | 5,855,667            |
|                                                                                                                                                                                     | <u>\$ 15,209,284</u> | <u>\$ 12,354,353</u> |

*See the accompanying Notes to Consolidated Financial Statements – Unaudited.*

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**Three and Nine Months Ended July 2, 2021 and June 26, 2020**  
*(In thousands, except per share information)*  
(Unaudited)

|                                                                                  | For the Three Months Ended |               | For the Nine Months Ended |               |
|----------------------------------------------------------------------------------|----------------------------|---------------|---------------------------|---------------|
|                                                                                  | July 2, 2021               | June 26, 2020 | July 2, 2021              | June 26, 2020 |
| Revenues                                                                         | \$ 3,576,436               | \$ 3,260,057  | \$ 10,506,144             | \$ 10,047,286 |
| Direct cost of contracts                                                         | (2,759,501)                | (2,631,031)   | (8,290,137)               | (8,125,554)   |
| Gross profit                                                                     | 816,935                    | 629,026       | 2,216,007                 | 1,921,732     |
| Selling, general and administrative expenses                                     | (553,189)                  | (434,650)     | (1,779,435)               | (1,408,232)   |
| Operating Profit                                                                 | 263,746                    | 194,376       | 436,572                   | 513,500       |
| Other Income (Expense):                                                          |                            |               |                           |               |
| Interest income                                                                  | 1,001                      | 1,249         | 2,733                     | 3,180         |
| Interest expense                                                                 | (20,011)                   | (18,193)      | (52,788)                  | (48,163)      |
| Miscellaneous income (expense), net                                              | 38,658                     | 126,249       | 138,705                   | (87,470)      |
| Total other income (expense), net                                                | 19,648                     | 109,305       | 88,650                    | (132,453)     |
| Earnings from Continuing Operations Before Taxes                                 | 283,394                    | 303,681       | 525,222                   | 381,047       |
| Income Tax Expense from Continuing Operations                                    | (109,186)                  | (67,674)      | (175,437)                 | (75,041)      |
| Net Earnings of the Group from Continuing Operations                             | 174,208                    | 236,007       | 349,785                   | 306,006       |
| Net Earnings of the Group from Discontinued Operations                           | 384                        | 18,043        | 11,690                    | 125,511       |
| Net Earnings of the Group                                                        | 174,592                    | 254,050       | 361,475                   | 431,517       |
| Net Earnings Attributable to Noncontrolling Interests from Continuing Operations | (9,182)                    | (9,121)       | (29,366)                  | (21,662)      |
| Net Loss Attributable to Redeemable Noncontrolling interests                     | 384                        | —             | 101,776                   | —             |
| Net Earnings Attributable to Jacobs from Continuing Operations                   | 165,410                    | 226,886       | 422,195                   | 284,344       |
| Net Earnings Attributable to Jacobs                                              | \$ 165,794                 | \$ 244,929    | \$ 433,885                | \$ 409,855    |
| Net Earnings Per Share:                                                          |                            |               |                           |               |
| Basic Net Earnings from Continuing Operations Per Share                          | \$ 0.83                    | \$ 1.74       | \$ 2.80                   | \$ 2.15       |
| Basic Net Earnings from Discontinued Operations Per Share                        | \$ —                       | \$ 0.14       | \$ 0.09                   | \$ 0.95       |
| Basic Earnings Per Share                                                         | \$ 0.83                    | \$ 1.88       | \$ 2.89                   | \$ 3.11       |
| Diluted Net Earnings from Continuing Operations Per Share                        | \$ 0.82                    | \$ 1.73       | \$ 2.78                   | \$ 2.13       |
| Diluted Net Earnings from Discontinued Operations Per Share                      | \$ —                       | \$ 0.14       | \$ 0.09                   | \$ 0.94       |
| Diluted Earnings Per Share                                                       | \$ 0.83                    | \$ 1.87       | \$ 2.87                   | \$ 3.08       |

*See the accompanying Notes to Consolidated Financial Statements - Unaudited.*

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Three and Nine Months Ended July 2, 2021 and June 26, 2020**  
*(In thousands)*  
(Unaudited)

|                                                              | <b>For the Three Months Ended</b> |                      | <b>For the Nine Months Ended</b> |                      |
|--------------------------------------------------------------|-----------------------------------|----------------------|----------------------------------|----------------------|
|                                                              | <b>July 2, 2021</b>               | <b>June 26, 2020</b> | <b>July 2, 2021</b>              | <b>June 26, 2020</b> |
| Net Earnings of the Group                                    | \$ 174,592                        | \$ 254,050           | \$ 361,475                       | \$ 431,517           |
| Other Comprehensive Income:                                  |                                   |                      |                                  |                      |
| Foreign currency translation adjustment                      | (1,823)                           | 76,288               | 69,065                           | 12,010               |
| Loss (gain) on cash flow hedges                              | (7,017)                           | (20,944)             | 24,170                           | (20,926)             |
| Change in pension and retiree medical plan liabilities       | 3,778                             | 3,405                | (14,085)                         | 15,872               |
| Other comprehensive (loss) income before taxes               | (5,062)                           | 58,749               | 79,150                           | 6,956                |
| Income Tax Benefit (Expense):                                |                                   |                      |                                  |                      |
| Foreign currency translation adjustment                      | 2,361                             | (22,062)             | (8,675)                          | (3,633)              |
| Cash flow hedges                                             | 1,774                             | 6,262                | (5,320)                          | 6,262                |
| Change in pension and retiree medical plan liabilities       | (845)                             | (8,324)              | (2,509)                          | (4,465)              |
| Income Tax Benefit (Expense):                                | 3,290                             | (24,124)             | (16,504)                         | (1,836)              |
| Net other comprehensive (loss) income                        | (1,772)                           | 34,625               | 62,646                           | 5,120                |
| Net Comprehensive Income of the Group                        | 172,820                           | 288,675              | 424,121                          | 436,637              |
| Net Earnings Attributable to Noncontrolling Interests        | (9,182)                           | (9,121)              | (29,366)                         | (21,662)             |
| Net Loss Attributable to Redeemable Noncontrolling interests | 384                               | —                    | 101,776                          | —                    |
| Net Comprehensive Income Attributable to Jacobs              | \$ 164,022                        | \$ 279,554           | \$ 496,531                       | \$ 414,975           |

*See the accompanying Notes to Consolidated Financial Statements - Unaudited.*

**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
For the Three Months Ended July 2, 2021 and June 26, 2020  
*(In thousands)*  
(Unaudited)

|                                                                                                 | Common<br>Stock   | Additional<br>Paid-in Capital | Retained<br>Earnings | Accumulated<br>Other Comprehensive<br>Income (Loss) | Total Jacobs<br>Stockholders'<br>Equity | Noncontrolling<br>Interests | Total Group<br>Stockholders'<br>Equity |
|-------------------------------------------------------------------------------------------------|-------------------|-------------------------------|----------------------|-----------------------------------------------------|-----------------------------------------|-----------------------------|----------------------------------------|
| <b>Balances at March 27, 2020</b>                                                               | <b>\$ 129,985</b> | <b>\$ 2,569,417</b>           | <b>\$ 3,808,698</b>  | <b>\$ (946,317)</b>                                 | <b>\$ 5,561,783</b>                     | <b>\$ 51,200</b>            | <b>\$ 5,612,983</b>                    |
| Net earnings                                                                                    | —                 | —                             | 244,929              | —                                                   | 244,929                                 | 9,121                       | 254,050                                |
| Foreign currency translation adjustments, net of deferred taxes of \$22,062                     | —                 | —                             | —                    | 54,226                                              | 54,226                                  | —                           | 54,226                                 |
| Pension liability, net of deferred taxes of \$8,324                                             | —                 | —                             | —                    | (4,919)                                             | (4,919)                                 | —                           | (4,919)                                |
| (Loss) Gain on derivatives, net of deferred taxes of (\$6,262)                                  | —                 | —                             | —                    | (14,682)                                            | (14,682)                                | —                           | (14,682)                               |
| Dividends                                                                                       | —                 | —                             | (24,857)             | —                                                   | (24,857)                                | —                           | (24,857)                               |
| Noncontrolling interests - distributions and other                                              | —                 | —                             | —                    | —                                                   | —                                       | (11,140)                    | (11,140)                               |
| Stock based compensation                                                                        | —                 | 12,373                        | —                    | —                                                   | 12,373                                  | —                           | 12,373                                 |
| Issuances of equity securities including shares withheld for taxes                              | 195               | 7,473                         | (708)                | —                                                   | 6,960                                   | —                           | 6,960                                  |
| <b>Balances at June 26, 2020</b>                                                                | <b>\$ 130,180</b> | <b>\$ 2,589,263</b>           | <b>\$ 4,028,062</b>  | <b>\$ (911,692)</b>                                 | <b>\$ 5,835,813</b>                     | <b>\$ 49,181</b>            | <b>\$ 5,884,994</b>                    |
| <b>Balances at April 2, 2021</b>                                                                | <b>\$ 130,172</b> | <b>\$ 2,621,454</b>           | <b>\$ 4,125,452</b>  | <b>\$ (868,639)</b>                                 | <b>\$ 6,008,439</b>                     | <b>\$ 35,307</b>            | <b>\$ 6,043,746</b>                    |
| Net earnings, excluding \$(0.4) million in loss relating to redeemable noncontrolling interests | —                 | —                             | 165,794              | —                                                   | 165,794                                 | 9,182                       | 174,976                                |
| Foreign currency translation adjustments, net of deferred taxes of \$(2,361)                    | —                 | —                             | —                    | 538                                                 | 538                                     | —                           | 538                                    |
| Pension liability, net of deferred taxes of \$845                                               | —                 | —                             | —                    | 2,933                                               | 2,933                                   | —                           | 2,933                                  |
| (Loss) Gain on derivatives, net of deferred taxes of \$(1,774)                                  | —                 | —                             | —                    | (5,243)                                             | (5,243)                                 | —                           | (5,243)                                |
| Dividends                                                                                       | —                 | —                             | (27,586)             | —                                                   | (27,586)                                | —                           | (27,586)                               |
| Redeemable Noncontrolling interests redemption value adjustment                                 | —                 | —                             | (17,487)             | —                                                   | (17,487)                                | —                           | (17,487)                               |
| Noncontrolling interests - distributions and other                                              | —                 | —                             | —                    | —                                                   | —                                       | (10,778)                    | (10,778)                               |
| Stock based compensation                                                                        | —                 | 14,542                        | —                    | —                                                   | 14,542                                  | —                           | 14,542                                 |
| Issuances of equity securities including shares withheld for taxes                              | 121               | 10,855                        | —                    | —                                                   | 10,976                                  | —                           | 10,976                                 |
| <b>Balances at July 2, 2021</b>                                                                 | <b>\$ 130,293</b> | <b>\$ 2,646,851</b>           | <b>\$ 4,246,173</b>  | <b>\$ (870,411)</b>                                 | <b>\$ 6,152,906</b>                     | <b>\$ 33,711</b>            | <b>\$ 6,186,617</b>                    |

*See the accompanying Notes to Consolidated Financial Statements – Unaudited.*



**JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
For the Nine Months Ended July 2, 2021 and June 26, 2020  
(In thousands)  
(Unaudited)

|                                                                                             | Common<br>Stock   | Additional<br>Paid-in Capital | Retained<br>Earnings | Accumulated<br>Other Comprehensive<br>Income (Loss) | Total Jacobs<br>Stockholders'<br>Equity | Noncontrolling<br>Interests | Total Group<br>Stockholders'<br>Equity |
|---------------------------------------------------------------------------------------------|-------------------|-------------------------------|----------------------|-----------------------------------------------------|-----------------------------------------|-----------------------------|----------------------------------------|
| <b>Balances at September 27, 2019</b>                                                       | <b>\$ 132,879</b> | <b>\$ 2,559,450</b>           | <b>\$ 3,939,174</b>  | <b>\$ (916,812)</b>                                 | <b>\$ 5,714,691</b>                     | <b>\$ 53,967</b>            | <b>\$ 5,768,658</b>                    |
| Net earnings                                                                                | —                 | —                             | 409,855              | —                                                   | 409,855                                 | 21,662                      | 431,517                                |
| Foreign currency translation adjustments, net of deferred taxes of \$3,633                  | —                 | —                             | —                    | 8,377                                               | 8,377                                   | —                           | 8,377                                  |
| Pension and retiree medical plan liability, net of deferred taxes of \$4,465                | —                 | —                             | —                    | 11,407                                              | 11,407                                  | —                           | 11,407                                 |
| (Loss) Gain on derivatives, net of deferred taxes of \$(6,262)                              | —                 | —                             | —                    | (14,664)                                            | (14,664)                                | —                           | (14,664)                               |
| Dividends                                                                                   | —                 | —                             | (50,379)             | —                                                   | (50,379)                                | —                           | (50,379)                               |
| Noncontrolling interests - distributions and other                                          | —                 | 5,002                         | —                    | —                                                   | 5,002                                   | (26,448)                    | (21,446)                               |
| Stock based compensation                                                                    | —                 | 35,106                        | 1,102                | —                                                   | 36,208                                  | —                           | 36,208                                 |
| Issuances of equity securities including shares withheld for taxes                          | 877               | 9,652                         | (9,391)              | —                                                   | 1,138                                   | —                           | 1,138                                  |
| Repurchases of equity securities                                                            | (3,576)           | (19,947)                      | (262,299)            | —                                                   | (285,822)                               | —                           | (285,822)                              |
| <b>Balances at June 26, 2020</b>                                                            | <b>\$ 130,180</b> | <b>\$ 2,589,263</b>           | <b>\$ 4,028,062</b>  | <b>\$ (911,692)</b>                                 | <b>\$ 5,835,813</b>                     | <b>\$ 49,181</b>            | <b>\$ 5,884,994</b>                    |
| <b>Balances at October 2, 2020</b>                                                          | <b>\$ 129,748</b> | <b>\$ 2,598,446</b>           | <b>\$ 4,020,575</b>  | <b>\$ (933,057)</b>                                 | <b>\$ 5,815,712</b>                     | <b>\$ 39,955</b>            | <b>\$ 5,855,667</b>                    |
| Net earnings, excluding \$(101,776) in loss relating to redeemable noncontrolling interests | —                 | —                             | 433,885              | —                                                   | 433,885                                 | 29,366                      | 463,251                                |
| Foreign currency translation adjustments, net of deferred taxes of \$8,675                  | —                 | —                             | —                    | 60,390                                              | 60,390                                  | —                           | 60,390                                 |
| Pension liability, net of deferred taxes of \$2,509                                         | —                 | —                             | —                    | (16,594)                                            | (16,594)                                | —                           | (16,594)                               |
| Gain on derivatives, net of deferred taxes of \$5,320                                       | —                 | —                             | —                    | 18,850                                              | 18,850                                  | —                           | 18,850                                 |
| Dividends                                                                                   | —                 | —                             | (55,101)             | —                                                   | (55,101)                                | —                           | (55,101)                               |
| Redeemable Noncontrolling interests redemption value adjustment                             | —                 | —                             | (124,725)            | —                                                   | (124,725)                               | —                           | (124,725)                              |
| Noncontrolling interests - distributions and other                                          | —                 | —                             | —                    | —                                                   | —                                       | (35,610)                    | (35,610)                               |
| Stock based compensation                                                                    | —                 | 41,519                        | —                    | —                                                   | 41,519                                  | —                           | 41,519                                 |
| Issuances of equity securities including shares withheld for taxes                          | 796               | 11,913                        | (8,790)              | —                                                   | 3,919                                   | —                           | 3,919                                  |
| Repurchases of equity securities                                                            | (251)             | (5,027)                       | (19,671)             | —                                                   | (24,949)                                | —                           | (24,949)                               |
| <b>Balances at July 2, 2021</b>                                                             | <b>\$ 130,293</b> | <b>\$ 2,646,851</b>           | <b>\$ 4,246,173</b>  | <b>\$ (870,411)</b>                                 | <b>\$ 6,152,906</b>                     | <b>\$ 33,711</b>            | <b>\$ 6,186,617</b>                    |

*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 July 2, 2021 and June 26, 2020**  
(In thousands)  
(Unaudited)

|                                                                                      | For the Nine Months Ended |               |
|--------------------------------------------------------------------------------------|---------------------------|---------------|
|                                                                                      | July 2, 2021              | June 26, 2020 |
| Cash Flows from Operating Activities:                                                |                           |               |
| Net earnings attributable to the Group                                               | \$ 361,475                | \$ 431,517    |
| Adjustments to reconcile net earnings to net cash flows provided by operations:      |                           |               |
| Depreciation and amortization:                                                       |                           |               |
| Property, equipment and improvements                                                 | 74,484                    | 66,994        |
| Intangible assets                                                                    | 103,308                   | 67,074        |
| Gain on sale of ECR business                                                         | (15,608)                  | (113,366)     |
| (Gain) loss on investment in equity securities                                       | (152,145)                 | 138,875       |
| Stock based compensation                                                             | 41,519                    | 36,208        |
| Equity in earnings of operating ventures, net of return on capital distributions     | 3,261                     | (1,689)       |
| Loss (gain) on disposals of assets, net                                              | 749                       | (301)         |
| Impairment of equity method investment and other long term assets                    | 40,138                    | —             |
| Loss on pension and retiree medical plan changes                                     | —                         | 2,651         |
| Deferred income taxes                                                                | 38,419                    | 62,473        |
| Changes in assets and liabilities, excluding the effects of businesses acquired:     |                           |               |
| Receivables and contract assets, net of contract liabilities                         | 231,992                   | (135,615)     |
| Prepaid expenses and other current assets                                            | 47,202                    | 19,902        |
| Miscellaneous other assets                                                           | 107,911                   | 77,524        |
| Accounts payable                                                                     | (150,736)                 | (115,080)     |
| Accrued liabilities                                                                  | (158,772)                 | (78,863)      |
| Other deferred liabilities                                                           | (44,985)                  | (56,426)      |
| Other, net                                                                           | (4,639)                   | (27,402)      |
| Net cash provided by operating activities                                            | 523,573                   | 374,476       |
| Cash Flows from Investing Activities:                                                |                           |               |
| Additions to property and equipment                                                  | (65,670)                  | (88,821)      |
| Disposals of property and equipment and other assets                                 | 468                       | 96            |
| Capital contributions to equity investees, net of return of capital distributions    | (4,193)                   | (12,358)      |
| Acquisitions of businesses, net of cash acquired                                     | (1,741,062)               | (286,534)     |
| Disposal of investment in equity securities                                          | 52,021                    | —             |
| Proceeds (payments) related to sales of businesses                                   | 36,360                    | (5,061)       |
| Net cash used for investing activities                                               | (1,722,076)               | (392,678)     |
| Cash Flows from Financing Activities:                                                |                           |               |
| Proceeds from long-term borrowings                                                   | 3,365,315                 | 2,801,661     |
| Repayments of long-term borrowings                                                   | (1,933,786)               | (1,845,223)   |
| Proceeds from short-term borrowings                                                  | —                         | 78            |
| Repayments of short-term borrowings                                                  | (7,675)                   | (200,008)     |
| Debt issuance costs                                                                  | (2,747)                   | (1,807)       |
| Proceeds from issuances of common stock                                              | 29,715                    | 28,793        |
| Common stock repurchases                                                             | (24,949)                  | (285,822)     |
| Taxes paid on vested restricted stock                                                | (25,796)                  | (27,655)      |
| Cash dividends, including to noncontrolling interests                                | (119,884)                 | (97,521)      |
| Net cash provided by financing activities                                            | 1,280,193                 | 372,496       |
| Effect of Exchange Rate Changes                                                      | 34,617                    | 39,448        |
| Net Increase in Cash and Cash Equivalents and Restricted Cash                        | 116,307                   | 393,742       |
| Cash and Cash Equivalents, including Restricted Cash, at the Beginning of the Period | 862,424                   | 631,068       |
| Cash and Cash Equivalents, including Restricted Cash, at the End of the Period       | \$ 978,731                | \$ 1,024,810  |

*See the accompanying Notes to Consolidated Financial Statements – Unaudited.*

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

**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 October 2, 2020 (“2020 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 July 2, 2021, and for the three and nine month periods ended July 2, 2021.

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

Effective the beginning of fiscal first quarter 2020, the Company adopted ASU 2016-02, *Leases* (“ASC 842”), including the subsequent ASU’s that amended and clarified the related guidance. The Company adopted ASC 842 using a modified retrospective approach, and accordingly the new guidance was applied to leases that existed or were entered into after the first day of adoption without adjusting the comparative periods presented. Please refer to Note-13 *Leases* for required disclosures related to leases.

On March 2, 2021, Jacobs completed the strategic investment of a 65% interest in PA Consulting, a UK-based leading innovation and transformation consulting firm. The total consideration paid by the Company was \$1.7 billion, funded through cash on hand, a new term loan and draws on the Company’s existing revolver. Further, in connection with the transaction, an estimated additional \$267 million had not yet been distributed at April 2, 2021 due to continuing employment requirements. Consequently, this amount represented compensation expense incurred related to the acquisition that was expensed in the second quarter, and was reflected in selling, general and administrative expense on the consolidated income statement for the six month period ended April 2, 2021. During the third quarter of fiscal 2021, an amount of \$5.6 million of the above estimated charges was forfeited by employees that left the Company before payment, and as such, was recognized in earnings in the three month period ended July 2, 2021. The updated amount of \$261 million is reflected in earnings and cash from operations for the nine month period ended July 2, 2021. The remaining 35% interest is held by PA Consulting employees, whose redeemable noncontrolling interests had a fair value of \$582.4 million on the closing date, including subsequent purchase accounting adjustments. PA Consulting is accounted for as a consolidated subsidiary and as a separate operating segment under U.S. GAAP accounting rules. See Note 12- *Borrowings* for more discussion on the financing for the transaction.

On November 24, 2020, a subsidiary of Jacobs completed the acquisition of Buffalo Group, a leader in advanced cyber and intelligence solutions. The Company paid total consideration of \$190.1 million, which was comprised of approximately \$182.4 million in cash to the former owners of Buffalo Group and contingent consideration of \$7.7 million, which is expected to be settled in fiscal 2022. During the third fiscal quarter, the Company recorded an adjustment to the contingent consideration of \$3.8 million to selling, general and administrative expense, resulting in contingent consideration of \$3.9 million at July 2, 2021. In conjunction with the acquisition, the Company assumed the Buffalo Group’s debt of approximately \$7.7 million. The Company repaid all of the assumed Buffalo Group debt by the end of the first fiscal quarter of 2021. The acquisition of Buffalo Group allows Jacobs to further expand its cyber and intelligence solutions offering to government clients.

On March 6, 2020, a subsidiary of Jacobs completed the acquisition of the nuclear consulting, remediation and program management business of John Wood Group, a U.K.-based energy services company, for an enterprise value of

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

£246 million, or approximately \$317.9 million, less cash acquired of \$24.3 million, as updated for additional working capital adjustments. The John Wood Group nuclear business allows Jacobs to further expand its lifecycle nuclear services business. The Company has recorded its final purchase price allocation associated with the acquisition, which is summarized in Note 16- *Other Business Combinations*.

On April 26, 2019, Jacobs completed the sale of its Energy, Chemicals and Resources ("ECR") business to Worley Limited, a company incorporated in Australia ("Worley"), for a purchase price of \$3.4 billion consisting of (i) \$2.8 billion in cash plus (ii) 58.2 million ordinary shares of Worley, subject to adjustments for changes in working capital and certain other items (the "ECR sale"). As a result of the ECR sale, substantially all ECR-related assets and liabilities were sold (the "Disposal Group"). We determined that the Disposal Group should be reported as discontinued operations in accordance with ASC 210-05, *Discontinued Operations* because their disposal represents a strategic shift that had a major effect on our operations and financial results. As such, the financial results of the ECR business are reflected in our unaudited Consolidated Statements of Earnings as discontinued operations for all periods presented. As of October 2, 2020, all of the ECR business to be sold under the terms of the ECR sale had been conveyed to Worley and as such, no amounts remain held for sale. For further discussion, see Note 17- *Sale of Energy, Chemicals and Resources ("ECR") Business* to the consolidated financial statements.

## **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 including considerations for potential impacts of the continuing coronavirus (COVID-19) pandemic, 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 2020 Form 10-K for a discussion of other 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 2020 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. Please also refer to Note 17- *Sale of Energy, Chemicals and Resources* for discussion regarding the Company's investment in Worley ordinary shares and Note 19- *Commitments and Contingencies and Derivative Financial Instruments* for discussion regarding the Company's derivative instruments.

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

The net carrying amounts of cash and cash equivalents, trade receivables and payables and short-term debt approximate fair value due to the short-term nature of these instruments. See Note 12- *Borrowings* for a discussion of the fair value of long-term debt.

**4. New Accounting Pronouncements**

ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, is effective for fiscal years beginning after December 15, 2019. ASU 2017-04 removed 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. The adoption of ASU 2017-04 did not have a material impact on the Company's financial position, results of operations or cash flows.

ASU No. 2016-13, *Financial Instruments - Credit Losses ("ASC 326"): Measurement of Credit Losses on Financial Instruments* requires entities to use a current lifetime expected credit loss methodology to measure impairments of certain financial assets. Using this methodology will result in earlier recognition of losses than under the current incurred loss approach, which requires waiting to recognize a loss until it is probable of having been incurred. There are other provisions within the standard that affect how impairments of other financial assets may be recorded and presented, and that expand disclosures. This standard was effective beginning with the first fiscal quarter 2021. The adoption of ASU 326 did not have a material impact on the Company's financial position, results of operations or cash flows.

**5. Revenue Accounting for Contracts**

**Disaggregation of Revenues**

Our revenues are principally derived from contracts to provide a diverse range of technical, professional, and construction services to a large number of industrial, commercial, and governmental clients. We provide a broad range of 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. Our contracts are with many different customers in numerous industries. Refer to Note 20- *Segment Information* for additional information on how we disaggregate our revenues by reportable segment.

The following table further disaggregates our revenue by geographic area for the three and nine months ended July 2, 2021 and June 26, 2020 (in thousands):

|                           | Three Months Ended |               | Nine Months Ended |               |
|---------------------------|--------------------|---------------|-------------------|---------------|
|                           | July 2, 2021       | June 26, 2020 | July 2, 2021      | June 26, 2020 |
| Revenues:                 |                    |               |                   |               |
| States                    |                    |               |                   |               |
| United                    | \$ 2,364,034       | \$ 2,472,091  | \$ 7,295,818      | \$ 7,548,192  |
| Europe                    | 881,676            | 504,201       | 2,277,670         | 1,662,104     |
| Canada                    | 57,866             | 56,954        | 167,181           | 164,601       |
| Asia                      | 28,309             | 27,995        | 84,364            | 90,889        |
| India                     | 18,915             | 16,465        | 49,926            | 33,229        |
| Australia and New Zealand | 174,828            | 130,133       | 472,013           | 378,178       |
| Middle East and Africa    | 50,808             | 52,218        | 159,172           | 170,093       |
| Total                     | \$ 3,576,436       | \$ 3,260,057  | \$ 10,506,144     | \$ 10,047,286 |

**Contract Liabilities**

Contract liabilities represent amounts billed to clients in excess of revenue recognized to date. Revenue recognized for the three and nine months ended July 2, 2021 that was included in the contract liability balance on October 2, 2020 was \$24.8 million and \$380.4 million, respectively. Revenue recognized for the three and nine months ended June 26, 2020 that was included in the contract liability balance on September 27, 2019, was \$42.4 million and \$352.9 million, respectively.

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

**Remaining Performance Obligations**

The Company's remaining performance obligations as of July 2, 2021 represent a measure of the total dollar value of work to be performed on contracts awarded and in progress. The Company had approximately \$13.8 billion in remaining performance obligations as of July 2, 2021. The Company expects to recognize approximately 46% of our remaining performance obligations into revenue within the next twelve months and the remaining 54% thereafter.

Although remaining performance obligations reflect business that is considered to be firm, cancellations, scope adjustments, foreign currency exchange fluctuations or deferrals may occur that impact their volume or the expected timing of their recognition. Remaining performance obligations are adjusted to reflect any known project cancellations, revisions to project scope and cost, foreign currency exchange fluctuations and project deferrals, as appropriate.

**6. 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 and the preferred redeemable noncontrolling interests redemption value adjustment associated with the PA Consulting transaction. During the three and nine months ended July 2, 2021, the Company did not have any outstanding participating securities.

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 July 2, 2021 and June 26, 2020 (in thousands):

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

|                                                                                                                                     | Three Months Ended |                   | Nine Months Ended |               |
|-------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|-------------------|---------------|
|                                                                                                                                     | July 2, 2021       | June 26, 2020     | July 2, 2021      | June 26, 2020 |
| <b>Numerator for Basic and Diluted EPS:</b>                                                                                         |                    |                   |                   |               |
| Net earnings attributable to Jacobs from continuing operations                                                                      | \$ 165,410         | \$ 226,886        | \$ 422,195        | \$ 2          |
| Preferred Redeemable Noncontrolling interests redemption value adjustment (See Note 15- <i>PA Consulting Business Combination</i> ) | (57,307)           | —                 | (57,307)          |               |
| Net earnings from continuing operations allocated to participating securities                                                       | —                  | (24)              | —                 |               |
| <b>Net earnings from continuing operations allocated to common stock for EPS calculation</b>                                        | <b>\$ 108,103</b>  | <b>\$ 226,862</b> | <b>\$ 364,888</b> | <b>\$ 2</b>   |
| Net earnings attributable to Jacobs from discontinued operations                                                                    | \$ 384             | \$ 18,043         | \$ 11,690         | \$ 1          |
| Net earnings from discontinued operations allocated to participating securities                                                     | —                  | (2)               | —                 |               |
| <b>Net earnings from discontinued operations allocated to common stock for EPS calculation</b>                                      | <b>\$ 384</b>      | <b>\$ 18,041</b>  | <b>\$ 11,690</b>  | <b>\$ 1</b>   |
| <b>Net earnings allocated to common stock for EPS calculation</b>                                                                   | <b>\$ 108,487</b>  | <b>\$ 244,903</b> | <b>\$ 376,578</b> | <b>\$ 4</b>   |
| <b>Denominator for Basic and Diluted EPS:</b>                                                                                       |                    |                   |                   |               |
| Weighted average basic shares                                                                                                       | 130,385            | 130,229           | 130,205           | 1             |
| Shares allocated to participating securities                                                                                        | —                  | (14)              | —                 |               |
| <b>Shares used for calculating basic EPS attributable to common stock</b>                                                           | <b>130,385</b>     | <b>130,215</b>    | <b>130,205</b>    | <b>1</b>      |
| <b>Effect of dilutive securities:</b>                                                                                               |                    |                   |                   |               |
| Stock compensation plans                                                                                                            | 1,035              | 1,048             | 1,040             |               |
| <b>Shares used for calculating diluted EPS attributable to common stock</b>                                                         | <b>131,420</b>     | <b>131,263</b>    | <b>131,245</b>    | <b>1</b>      |
| <b>Net Earnings Per Share:</b>                                                                                                      |                    |                   |                   |               |
| Basic Net Earnings from Continuing Operations Per Share                                                                             | \$ 0.83            | \$ 1.74           | \$ 2.80           | \$            |
| Basic Net Earnings from Discontinued Operations Per Share                                                                           | \$ —               | \$ 0.14           | \$ 0.09           | \$            |
| <b>Basic Earnings Per Share</b>                                                                                                     | <b>\$ 0.83</b>     | <b>\$ 1.88</b>    | <b>\$ 2.89</b>    | <b>\$</b>     |
| Diluted Net Earnings from Continuing Operations Per Share                                                                           | \$ 0.82            | \$ 1.73           | \$ 2.78           | \$            |
| Diluted Net Earnings from Discontinued Operations Per Share                                                                         | \$ —               | \$ 0.14           | \$ 0.09           | \$            |
| <b>Diluted Earnings Per Share</b>                                                                                                   | <b>\$ 0.83</b>     | <b>\$ 1.87</b>    | <b>\$ 2.87</b>    | <b>\$</b>     |

**Share Repurchases**

On January 17, 2019, the Company's Board of Directors authorized a share repurchase program of up to \$1.0 billion of the Company's common stock, to expire on January 16, 2022 (the "2019 Repurchase Authorization"). On January 16, 2020, the Company's Board of Directors authorized an additional share repurchase program of up to \$1.0 billion of the Company's common stock, to expire on January 15, 2023 (the "2020 Repurchase Authorization").

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

The following table summarizes the activity under the 2019 and 2020 Repurchase Authorizations through the third fiscal quarter of 2021:

| <b>Amount Authorized<br/>(2019 and 2020 Repurchase<br/>Authorizations)</b> | <b>Average Price Per Share (1)</b> | <b>Shares Repurchased</b> | <b>Total Shares R</b> |
|----------------------------------------------------------------------------|------------------------------------|---------------------------|-----------------------|
| \$2,000,000,000                                                            | \$98.81                            | 251,001                   | 251,001               |

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

As a precautionary measure in light of the COVID-19 pandemic, the Company temporarily suspended purchases under the share repurchase plan in March 2020, with such suspension remaining in effect through the fiscal third quarter of 2020. During the fourth fiscal quarter of 2020, the Company resumed share repurchases on a limited basis while we continue to monitor developments in fiscal 2021 with the pandemic. As of July 2, 2021, the Company has \$33.1 million remaining under the 2019 Repurchase Authorization and \$1.0 billion remaining under the 2020 Repurchase Authorization.

The share repurchase programs do not obligate the Company to purchase any shares. Share repurchases may be executed through various means including, without limitation, accelerated share repurchases, open market transactions, privately negotiated transactions, purchases pursuant to Rule 10b5-1 plans or otherwise. The authorization for the share repurchase programs may be terminated, increased or decreased by the Company's Board of Directors in its discretion at any time. The timing, amount and manner of share repurchases may depend upon market conditions and economic circumstances, availability of investment opportunities, the availability and costs of financing, currency fluctuations, the market price of the Company's common stock, other uses of capital and other factors.

**Dividend Program**

On July 14, 2021, the Company's Board of Directors declared a quarterly dividend of \$0.21 per share of the Company's common stock to be paid on August 27, 2021, to shareholders of record on the close of business on July 30, 2021. Future dividend declarations are subject to review and approval by the Company's Board of Directors. Dividends paid through the third fiscal quarter of 2021 and the preceding fiscal year are as follows:

| <b>Declaration Date</b> | <b>Record Date</b> | <b>Payment Date</b> | <b>Cash<br/>Amount (per share)</b> |
|-------------------------|--------------------|---------------------|------------------------------------|
| April 22, 2021          | May 28, 2021       | June 25, 2021       | \$0.21                             |
| January 27, 2021        | February 26, 2021  | March 26, 2021      | \$0.21                             |
| September 17, 2020      | October 2, 2020    | October 30, 2020    | \$0.19                             |
| July 9, 2020            | July 24, 2020      | August 21, 2020     | \$0.19                             |
| May 5, 2020             | May 20, 2020       | June 17, 2020       | \$0.19                             |
| January 16, 2020        | January 31, 2020   | February 28, 2020   | \$0.19                             |
| September 19, 2019      | October 4, 2019    | November 1, 2019    | \$0.17                             |



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

**7. Goodwill and Intangibles**

The carrying value of goodwill associated with continuing operations and appearing in the accompanying Consolidated Balance Sheets at July 2, 2021 and October 2, 2020 was as follows (in thousands):

|      |                                  | <b>Critical Mission<br/>Solutions</b> | <b>People &amp; Places<br/>Solutions</b> | <b>PA Consulting</b> | <b>Total</b> |
|------|----------------------------------|---------------------------------------|------------------------------------------|----------------------|--------------|
| 2020 | Balance October 2,               | \$ 2,409,081                          | \$ 3,230,010                             | \$ —                 | \$ 5,63      |
|      | Acquired                         | 130,691                               | —                                        | 1,442,324            | 1,57         |
|      | Foreign<br>Exchange Impact       | 13,592                                | 15,672                                   | (10,712)             | 1            |
|      | Post-<br>Acquisition Adjustments | 1,612                                 | —                                        | —                    |              |
| 2021 | Balance July 2,                  | \$ 2,554,976                          | \$ 3,245,682                             | \$ 1,431,612         | \$ 7,23      |

The following table provides certain information related to the Company's acquired intangibles in the accompanying Consolidated Balance Sheets at July 2, 2021 and October 2, 2020 (in thousands):

|      |                                 | <b>Customer<br/>Relationships, Contracts<br/>and Backlog</b> | <b>Developed<br/>Technology</b> | <b>Trade Names</b> | <b>Total</b> |
|------|---------------------------------|--------------------------------------------------------------|---------------------------------|--------------------|--------------|
| 2020 | Balances October 2,             | \$ 614,045                                                   | \$ 43,572                       | \$ 723             | \$ 6         |
|      | Amortization                    | (96,288)                                                     | (2,967)                         | (4,053)            | (1           |
|      | Acquired                        | 849,117                                                      | —                               | 229,075            | 1,0          |
|      | Foreign currency<br>translation | 3,323                                                        | 311                             | (1,637)            |              |
|      | Balances July 2, 2021           | \$ 1,370,197                                                 | \$ 40,916                       | \$ 224,108         | \$ 1,6       |

The following table presents estimated amortization expense of intangible assets for the remainder of fiscal 2021 and for the succeeding years.

| <b>Fiscal Year</b> | <b>(in millions)</b> |
|--------------------|----------------------|
| 2021               | \$ 46.7              |
| 2022               | 186.1                |
| 2023               | 186.1                |
| 2024               | 186.1                |
| 2025               | 185.6                |
| Thereafter         | 844.6                |
| <b>Total</b>       | <b>\$ 1,635.2</b>    |

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

**8. Receivables and Contract Assets**

The following table presents the components of receivables appearing in the accompanying Consolidated Balance Sheets at July 2, 2021 and October 2, 2020, as well as certain other related information (in thousands):

|                                                                                                 | July 2, 2021        | October 2, 2020     |
|-------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Components of receivables and contract assets:                                                  |                     |                     |
| Amounts billed, net                                                                             | \$ 1,356,491        | \$ 1,211,491        |
| Unbilled receivables and other                                                                  | 1,388,018           | 1,411,491           |
| Contract assets                                                                                 | 444,441             | 4,111,491           |
| Total receivables and contract assets, net                                                      | <u>\$ 3,188,950</u> | <u>\$ 3,111,491</u> |
| Other information about receivables:                                                            |                     |                     |
| Amounts due from the United States federal government, included above, net of advanced billings | <u>\$ 608,444</u>   | <u>\$ 6,111,491</u> |

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, which represent an unconditional right to payment subject only to the passage of time, are reclassified to amounts billed when they are billed under the terms of the contract. We anticipate that substantially all of such unbilled amounts will be billed and collected over the next twelve months.

Contract assets represent unbilled amounts where the right to payment is subject to more than merely the passage of time and includes performance-based incentives and services provided ahead of agreed contractual milestones. Contract assets are transferred to unbilled receivables when the right to consideration becomes unconditional and are transferred to amounts billed upon invoicing. The increase in contract assets was a result of normal business activity and not materially impacted by any other factors.

**9. Accumulated Other Comprehensive Income**

The following table presents the Company's roll forward of accumulated other comprehensive income (loss) after-tax as of July 2, 2021 (in thousands):

|                                                                      | Change in Pension<br>Liabilities | Foreign Currency<br>Translation Adjustment | Gain/(Loss) on<br>Cash Flow Hedges | Total                      |
|----------------------------------------------------------------------|----------------------------------|--------------------------------------------|------------------------------------|----------------------------|
| <b>Balance at October 2, 2020</b>                                    | <b>\$ (498,726)</b>              | <b>\$ (419,715)</b>                        | <b>\$ (14,616)</b>                 | <b>\$ (932,057)</b>        |
| Other comprehensive income (loss)                                    | (16,594)                         | 60,390                                     | 13,208                             | 36,994                     |
| Reclassifications from accumulated other comprehensive income (loss) | —                                | —                                          | 5,642                              | 5,642                      |
| <b>Balance at July 2, 2021</b>                                       | <b><u>\$ (515,320)</u></b>       | <b><u>\$ (359,325)</u></b>                 | <b><u>\$ 4,234</u></b>             | <b><u>\$ (870,411)</u></b> |

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

**10. Income Taxes**

Company's effective tax rates from continuing operations for the three months ended July 2, 2021 and June 26, 2020 were 38.5% and 22.3%, respectively. The Company's effective tax rate from continuing operations for the three months ended July 2, 2021 was higher than the corresponding rate in the prior period primarily due to a tax expense of \$30.8 million attributable to a revaluation of the deferred tax asset and liabilities for a tax rate increase in the UK during the current quarter, with offsetting benefits of \$2.2 million for the release of uncertain tax positions due to the statute of limitations expiring and \$0.9 million of Internal Revenue Code section 179D energy credit. Comparatively, for the three months ended June 26, 2020, the Company had a \$12.6 million benefit for the release of a valuation allowance in the UK.

The Company's effective tax rates from continuing operations for the nine months ended July 2, 2021 and June 26, 2020 were 33.4% and 19.7%, respectively. The Company's effective tax rate from continuing operations for the nine months ended July 2, 2021 was higher than the corresponding rate in the prior period primarily due to the revaluations of deferred tax assets and liabilities for the tax rate increase in the UK mentioned above and \$15.0 million attributable to US foreign inclusions in the current year. Also contributing to the higher year to date rate is the absence of a prior year favorable benefit of \$5.8 million from amended returns for foreign tax credits and research and development credits, a \$4.1 million benefit related to an India withholding tax rate change and \$7.0 million benefit from an Internal Revenue Code section 179D energy credit for the period ending June 26, 2020. The current year increase was further offset by a \$4.2 million excess tax benefit attributable to stock compensation and a \$12.1 million benefit related to a change in the Company's assertion about indefinite reinvestment of certain foreign unremitted earnings in Canada and India.

See Note 17 - *Sale of Energy, Chemicals and Resources ("ECR") Business* for further information on the Company's discontinued operations reporting for the sale of the ECR business.

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.

**11. Joint Ventures, VIEs and Other Investments**

We execute certain contracts jointly with third parties through various forms of joint ventures. 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. Many of these joint ventures are formed for a specific project. The assets of our joint ventures generally consist almost entirely of cash and receivables (representing amounts due from clients), and the liabilities of our joint ventures generally 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. Many of the joint ventures are deemed to be variable interest entities ("VIE") because they lack sufficient equity to finance the activities of the joint venture.

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

The assets of a joint venture are restricted for use to the obligations of the particular joint venture and are not available for general operations of the Company. Our risk of loss on these arrangements is usually shared with our partners. The liability of each partner is usually joint and several, which means that each partner may become liable for the entire risk of loss on the project. Furthermore, on some of our projects, the Company has granted guarantees that may encumber both our contracting subsidiary company and the Company for the entire risk of loss on the project. The Company is unable to estimate the maximum potential amount of future payments that we could be required to make under outstanding performance guarantees related to joint venture projects due to a number of factors, including but not limited to, the nature and extent of any contractual defaults by our joint venture partners, resource availability, potential performance delays caused by the defaults, the location of the projects, and the terms of the related contracts. Refer to Note 19 - *Commitments and Contingencies and Derivative Financial Instruments*, for further discussion relating to performance guarantees.

For consolidated joint ventures, the entire amount of the services performed, and the costs associated with these services, including the services provided by the other joint venture partners, are included in the Company's results of operations. Likewise, the entire amount of each of the assets and liabilities are included in the Company's Consolidated Balance Sheets. For the consolidated VIEs, the carrying value of assets and liabilities was \$273.7 million and \$211.7 million, respectively, as of July 2, 2021 and \$261.8 million and \$190.3 million, respectively, as of October 2, 2020. There are no consolidated VIEs that have debt or credit facilities.

On March 2, 2021, Jacobs completed the strategic investment of a 65% interest in PA Consulting, a UK-based leading innovation and transformation consulting firm. The remaining 35% interest is held by PA Consulting employees. PA Consulting is accounted for as a consolidated subsidiary under U.S. GAAP accounting rules. See Note 15- *PA Consulting Business Combination* for more discussion on the acquisition.

Unconsolidated joint ventures are accounted for under proportionate consolidation or the equity method. Proportionate consolidation is used for joint ventures that include unincorporated legal entities and activities of the joint venture that are construction-related. For those joint ventures accounted for under proportionate consolidation, only the Company's pro rata share of assets, liabilities, revenue, and costs are included in the Company's balance sheet and results of operations. For the proportionate consolidated VIEs, the carrying value of assets and liabilities was \$50.3 million and \$53.6 million, respectively, as of July 2, 2021, and \$64.1 million and \$63.0 million, respectively, as of October 2, 2020. For those joint ventures accounted for under the equity method, the Company's investment balances for the joint venture are included in Other Noncurrent Assets: Miscellaneous on the balance sheet and the Company's pro rata share of net income is included in revenue. In limited cases, there are basis differences between the equity in the joint venture and the Company's investment created when the Company purchased its share of the joint venture. These basis differences are amortized based on an internal allocation to underlying net assets, excluding allocations to goodwill. As of July 2, 2021, the Company's equity method investments exceeded its share of venture net assets by \$38.8 million. Our investments in equity method joint ventures on the Consolidated Balance Sheets as of July 2, 2021 and October 2, 2020 were \$128.9 million and \$161.3 million, respectively. During the three months ended July 2, 2021 and June 26, 2020, we recognized income from equity method joint ventures of \$16.6 million and \$18.8 million, respectively. During the nine months ended July 2, 2021 and June 26, 2020, we recognized income from equity method joint ventures of \$46.9 million and \$54.8 million, respectively.

Accounts receivable from unconsolidated joint ventures accounted for under the equity method is \$15.3 million and \$8.3 million as of July 2, 2021 and October 2, 2020, respectively.

The Company currently holds a 24.5% interest in AWE Management Ltd ("AWE ML") that is accounted for under the equity method, and the carrying value of the Company's investment as of October 2, 2020 was approximately \$38 million. As of October 2, 2020, AWE ML was under a contractual operating arrangement with the UK Ministry of Defence (MoD) with multiple years remaining under the arrangement. Subsequent to year end, on November 2, 2020, the MoD unexpectedly announced plans to change its current operating agreements with AWE ML that would result in the early termination of the current contract in 2021. During the nine months ended July 2, 2021, the Company recorded an other-than-temporary impairment on its investment in AWE ML in the amount of \$38.9 million, which is included in miscellaneous income (expense), net in the consolidated statement of earnings.

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

At October 2, 2020, the Company held a cost method investment in C3.ai, Inc. ("C3") of approximately \$2.5 million. On December 9, 2020, C3 completed an initial public offering and as a result the Company carried its investment in C3 at fair value, with mark to market changes reflected in net income as it is an investment in equity securities with a readily determinable fair value based on quoted market prices. In connection with the IPO, the Company became subject to a 180-day lock-up period, which restricted sales of the shares, subject to certain conditions that permit partial share sales based on C3's share performance during the lock-up period. During the second fiscal quarter of fiscal 2021, the Company sold 153,374 shares, the maximum allowable shares under the lock-up period discussed above, at a realized gain of \$12.5 million. During the current fiscal quarter, the Company sold the remaining shares owned in C3, at a realized pre-tax gain of \$37.0 million. Dividend income, unrealized gains and losses on changes in fair value and related realized gains and losses on disposal of the C3 shares have been recognized in miscellaneous income (expense), net in the consolidated statement of earnings.

**12. Borrowings**

At July 2, 2021 and October 2, 2020, long-term debt consisted of the following (principal amounts in thousands):

|                           | Interest Rate                    | Maturity       | July 2, 2021 | October 2, |
|---------------------------|----------------------------------|----------------|--------------|------------|
| Revolving Credit Facility | LIBOR +<br>applicable margin (1) | March 2024     | \$ 517,795   | \$ 1       |
| 2021 Term Loan Facility   | LIBOR +<br>applicable margin (2) | March 2024     | 1,100,250    |            |
| 2020 Term Loan Facility   | LIBOR +<br>applicable margin (3) | March 2025 (4) | 1,008,984    | 1,0        |
| Fixed-rate notes due:     |                                  |                |              |            |
| Senior Notes, Series A    | 4.27%                            | May 2025       | 190,000      | 1          |
| Senior Notes, Series B    | 4.42%                            | May 2028       | 180,000      | 1          |
| Senior Notes, Series C    | 4.52%                            | May 2030       | 130,000      | 1          |
| Less: Current Portion     |                                  |                | (53,813)     |            |
| Less: Deferred Financing  |                                  |                |              |            |
| Fees                      |                                  |                | (5,471)      |            |
| Total Long-term debt, net |                                  |                | \$ 3,067,745 | \$ 1,6     |

- (1) Depending on the Company's Consolidated Leverage Ratio (as defined in the credit agreement governing the Revolving Credit Facility (defined below)), borrowings under the Revolving Credit Facility bear interest at either a eurocurrency rate plus a margin of between 0.875% and 1.625% or a base rate plus a margin of between 0% and 0.625%, including applicable margins. The applicable LIBOR rates including applicable margins at July 2, 2021 and October 2, 2020 were approximately 1.59% and 1.39%.
- (2) Depending on the Company's Consolidated Leverage Ratio (as defined in the credit agreement governing the 2021 Term Loan Facility (defined below)), borrowings under the 2021 Term Loan Facility bear interest at either a eurocurrency rate plus a margin of between 0.875% and 1.625% or a base rate plus a margin of between 0% and 0.625%, including applicable margins. The applicable LIBOR rate including applicable margin at July 2, 2021 was approximately 1.56%.
- (3) Depending on the Company's Consolidated Leverage Ratio (as defined in the credit agreement governing the 2020 Term Loan Facility (defined below)), borrowings under the 2020 Term Loan Facility bear interest at either a eurocurrency rate plus a margin of between 0.875% and 1.5% or a base rate plus a margin of between 0% and 0.5%, including applicable margins. The applicable LIBOR rates including applicable margins at July 2, 2021 and October 2, 2020 were approximately 1.58% and 1.37%.
- (4) The 2020 Term Loan requires quarterly principal repayments of 1.25%, or \$9.125 million and £3.125 million, of the aggregate initial principal amount borrowed.

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 "2014 Revolving Credit Facility") with a syndicate of U.S. and international banks and financial institutions. On March 27, 2019, the Company entered into a second amended and restated credit agreement (the "Revolving Credit Facility"), which amended and restated the 2014 Revolving Credit Facility by, among other things, (a) extending the maturity date of the credit facility to March 27, 2024, (b) increasing the facility amount to \$2.25 billion (with an accordion feature that allows a further increase of the facility amount up to \$3.25 billion), (c) eliminating the covenants restricting investments, joint ventures and acquisitions by the Company and its subsidiaries and (d) adjusting the financial covenants to eliminate the net worth covenant upon the removal of the same covenant from the Company's existing Note Purchase Agreement (defined below). We were in compliance with the covenants under the Revolving Credit Facility at July 2, 2021.

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

On December 16, 2020, Jacobs entered into a first amendment to the Revolving Credit Facility, which provides for, among other things, (a) administrative changes allowing a one-time limited conditionality draw under the Revolving Credit Facility in connection with the March 2, 2021 investment by the Company, indirectly through a subsidiary of the Company, of a majority interest in PA Consulting, a private limited company organized under the laws of England and Wales and (b) an increase in the interest rate applicable margin to 1.625% per annum if the Consolidated Leverage Ratio (as defined in the Revolving Credit Facility) of the Company is equal to or greater than 3.00 to 1.00.

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 \$400.0 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. The Company pays a facility fee of between 0.08% and 0.23% per annum depending on the Company's Consolidated Leverage Ratio.

On March 25, 2020, the Company entered into an unsecured term loan facility (the "2020 Term Loan Facility") with a syndicate of financial institutions as lenders. Under the 2020 Term Loan Facility, the Company borrowed an aggregate principal amount of \$730.0 million and one of the Company's U.K. subsidiaries borrowed an aggregate principal amount of £250.0 million. The proceeds of the term loans were used to repay an existing term loan with a maturity date of June 2020 and for general corporate purposes. The 2020 Term Loan Facility contains affirmative and negative covenants and events of default customary for financings of this type that are consistent with those included in the Revolving Credit Facility. During fiscal 2020, the Company entered into interest rate and cross currency derivative contracts to swap a portion of our variable rate debt to fixed rate debt. See Note 19- *Commitments and Contingencies and Derivative Financial Instruments* for discussion regarding the Company's derivative instruments.

On January 20, 2021, the Company entered into an unsecured delayed draw term loan facility (the "2021 Term Loan Facility") with a syndicate of financial institutions as lenders. Under the 2021 Term Loan Facility, the Company borrowed an aggregate principal amount of \$200.0 million and £650.0 million. The proceeds of the term loans were used primarily to fund the Company's investment in PA Consulting. The 2021 Term Loan Facility contains affirmative and negative covenants and events of default customary for financings of this type that are consistent with those included in the Revolving Credit Facility and the 2020 Term Loan Facility.

The 2020 Term Loan Facility and the 2021 Term Loan Facility are together referred to as the "Term Loan Facilities". We were in compliance with the covenants under the Term Loan Facilities at July 2, 2021.

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 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 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 July 2, 2021.

We believe the carrying value of the Revolving Credit Facility, the Term Loan Facilities 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 \$556.9 million at July 2, 2021, 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 \$1.7 million in letters of credit under the Revolving Credit Facility, leaving \$1.73 billion of available borrowing capacity under the Revolving Credit Facility at July 2, 2021. In addition, the Company had issued \$267.2 million under separate, committed and uncommitted letter-of-credit facilities for total issued letters of credit of \$268.9 million at July 2, 2021.

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

**13. Leases**

The Company's right-of use assets and lease liabilities relate to real estate, project assets used in connection with long-term construction contracts, IT assets and vehicles. The Company's leases have remaining lease terms of one year to thirteen years. The Company's lease obligations are primarily for the use of office space and are primarily operating leases. Certain of the Company's leases contain renewal, extension, or termination options. The Company assesses each option on an individual basis and will only include options reasonably certain of exercise in the lease term. The Company generally considers the base term to be the term provided in the contract. None of the Company's lease agreements contain material options to purchase the lease property, material residual value guarantees, or material restrictions or covenants

Long-term project asset and vehicle leases (leases with terms greater than twelve months), along with all real estate and IT asset leases, are recorded on the consolidated balance sheet at the present value of the minimum lease payments not yet paid, net of impairments taken. Because the Company primarily acts as a lessee and the rates implicit in its leases are not readily determinable, the Company generally uses its incremental borrowing rate on the lease commencement date to calculate the present value of future lease payments. Certain leases include payments that are based solely on an index or rate. These variable lease payments are included in the calculation of the right-of-use ("ROU") asset and lease liability and are initially measured using the index or rate at the lease commencement date. Other variable lease payments, such as payments based on use and for property taxes, insurance, or common area maintenance that are based on actual assessments are excluded from the ROU asset and lease liability and are expensed as incurred. In addition to the present value of the future lease payments, the calculation of the ROU asset also includes any deferred rent, lease pre-payments and initial direct costs of obtaining the lease, such as commissions.

Certain lease contracts contain nonlease components such as maintenance and utilities. The Company has made an accounting policy election, as allowed under ASC 842-10-15-37 and discussed above, to capitalize both the lease component and nonlease components of its contracts as a single lease component for all of its right-of-use assets.

Short-term project asset and vehicle leases (project asset and vehicle leases with an initial term of twelve months or less or leases that are cancellable by the lessee and lessor without significant penalties) are not recorded on the consolidated balance sheet and are expensed on a straight-line basis over the lease term. The majority of the Company's short-term leases relate to equipment used on construction projects. These leases are entered into at agreed upon hourly, daily, weekly or monthly rental rates for an unspecified duration and typically have a termination for convenience provision. Such equipment leases are considered short-term in nature unless it is reasonably certain that the equipment will be leased for a term greater than twelve months.

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

The components of lease expense (reflected in selling, general and administrative expenses) for the three and nine months ended July 2, 2021 and June 26, 2020 were as follows (in thousands):

|                         | Three Months Ended |                  | Nine Months Ended |                   |
|-------------------------|--------------------|------------------|-------------------|-------------------|
|                         | July 2, 2021       | June 26, 2020    | July 2, 2021      | June 26, 2020     |
| <b>Lease cost</b>       |                    |                  |                   |                   |
| Operating lease cost    | \$ 41,619          | \$ 39,123        | \$ 121,870        | \$ 126,855        |
| Variable lease cost     | 7,836              | 9,508            | 23,255            | 26,307            |
| Sublease income         | (2,493)            | (3,504)          | (9,422)           | (10,688)          |
| <b>Total lease cost</b> | <b>\$ 46,962</b>   | <b>\$ 45,127</b> | <b>\$ 135,703</b> | <b>\$ 142,474</b> |

Supplemental information related to the Company's leases for the nine months ended July 2, 2021 was as follows (in thousands):

|                                                                              | Nine Months Ended |         |
|------------------------------------------------------------------------------|-------------------|---------|
| Cash paid for amounts included in the measurements of lease liabilities      | \$                | 151,250 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | \$                | 153,102 |
| Weighted average remaining lease term - operating leases                     |                   | 7 years |
| Weighted average discount rate - operating leases                            |                   | 2.6%    |

Total remaining lease payments under the Company's leases for the remainder of fiscal 2021 and for the succeeding years is as follows (in thousands):

| Fiscal Year   | Operating Leases  |
|---------------|-------------------|
| 2021          | \$ 51,889         |
| 2022          | 188,702           |
| 2023          | 165,798           |
| 2024          | 148,289           |
| 2025          | 127,528           |
| Thereafter    | 385,094           |
|               | 1,067,300         |
| Less Interest | (100,000)         |
|               | <b>\$ 967,300</b> |



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

**14. Pension and Other Postretirement Benefit Plans**

The following table presents the components of net periodic pension benefit recognized in earnings during the three and nine months ended July 2, 2021 and June 26, 2020 (in thousands):

|                                               | Three Months Ended |               | Nine Months Ended |               |
|-----------------------------------------------|--------------------|---------------|-------------------|---------------|
|                                               | July 2, 2021       | June 26, 2020 | July 2, 2021      | June 26, 2020 |
| Component:                                    |                    |               |                   |               |
| Service cost                                  | \$ 1,735           | \$ 1,464      | \$ 5,206          | \$            |
| Interest cost                                 | 11,785             | 13,030        | 35,354            |               |
| Expected return on plan assets                | (25,427)           | (27,666)      | (76,282)          | (             |
| Amortization of previously unrecognized items | 4,032              | 3,109         | 12,095            |               |
| Plan Amendment and settlement loss (gain)     | —                  | —             | —                 |               |
| Total net periodic pension benefit recognized | \$ (7,875)         | \$ (10,063)   | \$ (23,627)       | \$ (          |

The service cost component of net periodic pension benefit is presented in the same line item as other compensation costs (direct cost of contracts and selling, general and administrative expenses) and the other components of net periodic pension expense are presented in miscellaneous income (expense), net on the Consolidated Statements of Earnings. In the first fiscal quarter of 2020, the Company incurred a settlement loss on one of its U.S. defined benefit plans of approximately \$2.7 million.

On March 2, 2021, Jacobs completed the strategic investment of a 65% interest in PA Consulting, a UK-based leading innovation and transformation consulting firm. PA Consulting has defined benefit plans that Jacobs now includes in our consolidated financial statements. See Note 15- *PA Consulting Business Combination* for more discussion on the investment and the related defined benefit plans.

The following table presents certain information regarding the Company's cash contributions to our pension plans for fiscal 2021 (in thousands):

|                                                                     |           |
|---------------------------------------------------------------------|-----------|
| Cash contributions made during the first nine months of fiscal 2021 | \$ 28,936 |
| Cash contributions projected for the remainder of fiscal 2021       | 7,094     |
| Total                                                               | \$ 36,030 |

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

**15. PA Consulting Business Combination**

**Deal Summary, Opening Balance Sheet and Pro Forma Financial Information**

On March 2, 2021, Jacobs completed the strategic investment of a 65% interest in PA Consulting, a UK-based leading innovation and transformation consulting firm. The total consideration paid by the Company was \$1.7 billion, funded through cash on hand, a new term loan and draws on the Company's existing revolver. Further, in connection with the transaction, an estimated additional \$267 million had not yet been distributed at April 2, 2021 due to continuing employment requirements. Consequently, this amount represented compensation expense incurred related to the acquisition that was expensed in the second quarter, and was reflected in selling, general and administrative expense on the consolidated income statement for the six month period ended April 2, 2021. During the third quarter of fiscal 2021, an amount of \$5.6 million of the above estimated charges was forfeited by employees that left the Company before payment, and as such, was recognized in earnings in the three month period ended July 2, 2021. The updated amount of \$261 million is reflected in earnings and cash from operations for the nine month period ended July 2, 2021. The remaining 35% interest is held by PA Consulting employees, whose redeemable noncontrolling interests had a fair value of \$582.4 million on the closing date, including subsequent purchase accounting adjustments. PA Consulting is accounted for as a consolidated subsidiary and as a separate operating segment under U.S. GAAP accounting rules. See Note 12- *Borrowings* for more discussion on the financing for the transaction.

The following summarizes the fair values of PA Consulting's assets acquired and liabilities assumed as of the acquisition date (in millions):

|                                                   |                   |
|---------------------------------------------------|-------------------|
| <b>Assets</b>                                     |                   |
| Cash and cash equivalents                         | \$ 134.9          |
| Receivables                                       | 166.7             |
| Property, equipment and improvements, net         | 40.5              |
| Goodwill                                          | 1,442.3           |
| Identifiable intangible assets                    | 1,004.2           |
| Prepaid expenses and other current assets         | 9.5               |
| Miscellaneous long term assets                    | 83.7              |
| <b>Total Assets</b>                               | <b>\$ 2,881.8</b> |
| <b>Liabilities</b>                                |                   |
| Accounts payable                                  | \$ 6.5            |
| Accrued liabilities and other current liabilities | 344.8             |
| Other long term liabilities                       | 246.2             |
| <b>Total Liabilities</b>                          | <b>\$ 597.5</b>   |
| <b>Redeemable Noncontrolling interests</b>        | <b>582.4</b>      |
| <b>Net assets acquired</b>                        | <b>\$ 1,701.9</b> |

The purchase price allocation is based upon preliminary information and is subject to change when additional information is obtained. Goodwill recognized results from a substantial assembled workforce, which does not qualify for separate recognition, as well as expected future economic benefits. 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 PA Consulting's assets acquired and liabilities assumed. The final purchase price allocation could result in adjustments to certain assets and liabilities, including the residual amount allocated to goodwill.

Since the initial preliminary estimates reported in the second quarter of fiscal 2021, the Company has updated certain provisional amounts reflected in the preliminary purchase price allocation, as summarized in the estimated fair values of PA Consulting assets acquired and liabilities assumed above. See below for further discussion on updates to redeemable noncontrolling interests.

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

Identifiable intangibles are customer relationships, contracts and backlog and trade name and have estimated lives ranging from 9 to 20 years (weighted average life of approximately 12 years).

Fair value measurements relating to PA Consulting 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 reflects the level of risk associated with receiving future cash flows. Other personal property assets, such as buildings, furniture, fixtures and equipment, are valued using the cost approach, which is based on estimates of replacement cost. Key inputs to the valuation of the noncontrolling interests include projected cash flows and the expected volatility with those cash flows.

Pre-tax transaction costs associated with the PA Consulting investment in the accompanying Consolidated Statements of Earnings for the nine months ended July 2, 2021 were \$36.4 million.

The following presents summarized unaudited pro forma operating results of Jacobs from continuing operations assuming that the Company had the PA Consulting investment at September 28, 2019. 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, except per share data):

|                                                | <b>For the Nine Months Ended</b> |                      |
|------------------------------------------------|----------------------------------|----------------------|
|                                                | <b>July 2, 2021</b>              | <b>June 26, 2020</b> |
| Revenues                                       | \$ 10,917.8                      | \$ 10,917.8          |
| Net earnings (loss) of the Group               | \$ 624.1                         | \$ 624.1             |
| Net earnings attributable to Jacobs            | \$ 503.2                         | \$ 503.2             |
| Net earnings attributable to Jacobs per share: |                                  |                      |
| Basic earnings per share                       | \$ 3.86                          | \$ 3.86              |
| Diluted earnings per share                     | \$ 3.83                          | \$ 3.83              |

Included in the table above are charges relating to transaction expenses, a nonrecurring compensation charge, an EPS numerator adjustment relating to the PA preference shares redemption value which does not affect net earnings, and other items that are removed from the nine months ended July 2, 2021 and are reflected in the prior fiscal year due to the assumed timing of the transaction. Also, income tax (expense) benefit for the nine-month pro forma periods ended July 2, 2021 and June 26, 2020 was \$(231.3) million and \$(29.5) million, respectively.

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

**Redeemable Noncontrolling Interest**

In connection with the PA Consulting investment, the Company recorded redeemable noncontrolling interests of approximately \$582.4 million, including subsequent purchase accounting adjustments, representing the interest holders' 35% equity interest in the form of preferred and common shares of PA Consulting, with substantially all of the value associated with these interests allocable to the preferred shares. The preferred shares are entitled to a cumulative compounding 12% dividend based on the outstanding preferred share subscription price. These interest holders have certain option rights to put the preferred and common share interests back to the Company at a value based on the fair value of PA Consulting (the redemption values). Additionally, the Company has an option to call the interests in certain circumstances. Because the interests are redeemable at the option of the holders and not solely within the control of the Company, the Company classified the interests in redeemable noncontrolling interests within its Consolidated Balance Sheet at their redemption values. The optional redemption features may become exercisable no earlier than five years from the March 2, 2021 closing date, or upon the occurrence of certain other events.

The Company has deemed these interests probable of becoming redeemable in the future and requiring their measurement at the greater of (i) the redemption amount that would be paid if settlement occurred at the balance sheet date, or (ii) the historical value resulting from the original acquisition date fair value plus or minus any earnings or loss attribution amounts, including dividends, in accordance with U.S. generally accepted accounting principles. Further, any excess in redemption amounts over the historical values of the interests is recognized as an increase to redeemable noncontrolling interests and an offsetting decrease in consolidated retained earnings. Additionally, particular to the preference share component of redeemable noncontrolling interests, this retained earnings decrease is also reflected as a corresponding downward adjustment to net earnings attributable to Jacobs for purposes of the calculation of consolidated earnings per share. During the third quarter of fiscal 2021, updates to the Company's preliminary opening balance sheet fair value estimates of the noncontrolling interests resulted in an offsetting decrease and increase in fair value of the preference share and common share components of the interests by \$57.3 million, respectively, with the corresponding redemption value adjustment associated with the preference share portion decreasing consolidated retained earnings and earnings per share by \$0.44. See Note 6- *Earnings Per Share and Certain Related Information*. The results of these adjustments had no impact on the Company's overall results of operations, financial position, or cash flows.

Changes in the redeemable noncontrolling interest during the nine months ended July 2, 2021 are as follows (in thousands):

|                                                                                    | <b>Total</b> |
|------------------------------------------------------------------------------------|--------------|
| Fair value of redeemable noncontrolling interests at acquisition on March 2, 2021  | \$ 581,119   |
| Cumulative Accrued Preferred Dividend to Preference Shareholders                   | 23,151       |
| Attribution of Preferred Dividend to Common Shareholders                           | (23,151)     |
| Net loss attributable to redeemable noncontrolling interest to Common Shareholders | (101,776)    |
| Redeemable Noncontrolling interests redemption value adjustment <sup>(1)</sup>     | 124,725      |
| Cumulative translation adjustment and other                                        | (2,893)      |
| Balance at July 2, 2021                                                            | \$ 601,175   |

(1) Includes impacts from updates to the preliminary opening balance fair value estimates of the noncontrolling interests and corresponding redemption value adjustments described above.

In addition, certain employees and nonemployees of PA Consulting are expected to receive equity-based incentive grants in the future under the terms of the applicable agreements.

**Employee Benefit Trust, Defined Contribution Plans and Defined Benefit Plans**

PA Consulting is party to an employee benefit trust arrangement, defined contribution plans and defined benefit plans.

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

PA Consulting is party to an employee benefit trust that is a separately administered discretionary trust for the benefit of employees and is consolidated under US GAAP. At July 2, 2021, the Company held \$12.6 million in cash within the employee benefit trust that is restricted from general use and is included in prepaid expenses and other current assets on the consolidated balance sheet.

The PA Consulting defined benefit plans include UK and Germany based plans. The UK arrangement is a defined benefit plan which has been closed to new participants since 1998 and is expected to wind down in the current fiscal year. Prior to the investment in PA Consulting, PA Consulting completed a pension buy-in transaction for the primary UK defined benefit pension plan where the assets of the plan were invested in a bulk-purchase annuity policy with an insurance company. As such, the UK defined benefit plan is fully funded.

Regarding the defined contribution plans, PA Consulting matches a certain amount on behalf of the employees and pays the administration costs, which are both recognized in the income statement in the period in which they become payable.

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

**16. Other Business Combinations**

**Buffalo Group**

On November 24, 2020, a subsidiary of Jacobs completed the acquisition of Buffalo Group, a leader in advanced cyber and intelligence solutions. The Company paid total consideration of \$190.1 million, which was comprised of approximately \$182.4 million in cash to the former owners of Buffalo Group and contingent consideration of \$7.7 million which is expected to be settled in fiscal 2022. During the third fiscal quarter, the Company recorded an adjustment to the contingent consideration of \$3.8 million to selling, general and administrative expense, resulting in contingent consideration of \$3.9 million at July 2, 2021. In conjunction with the acquisition, the Company assumed the Buffalo Group's debt of approximately \$7.7 million. The Company repaid all of the assumed Buffalo Group debt by the end of the first fiscal quarter of 2021. The acquisition of Buffalo Group allows Jacobs to further expand its cyber and intelligence solutions offering to government clients. The following summarizes the fair values of The Buffalo Group's assets acquired and liabilities assumed as of the acquisition date (in millions):

|                                                                  |           |  |              |
|------------------------------------------------------------------|-----------|--|--------------|
| <b>Assets</b>                                                    |           |  |              |
| Cash and cash equivalents                                        | \$        |  | 8.4          |
| Receivables                                                      |           |  | 19.2         |
| Property, equipment and improvements, net                        |           |  | 2.3          |
| Goodwill                                                         |           |  | 130.7        |
| Identifiable intangible assets                                   |           |  | 74.0         |
| Prepaid expenses and other current assets                        |           |  | 6.2          |
| <b>Total Assets</b>                                              | <b>\$</b> |  | <b>240.8</b> |
| <b>Liabilities</b>                                               |           |  |              |
| Accounts payable, accrued expenses and other current liabilities | \$        |  | 46.9         |
| Other long term liabilities                                      |           |  | 3.8          |
| <b>Total Liabilities</b>                                         |           |  | <b>50.7</b>  |
| <b>Net assets acquired</b>                                       | <b>\$</b> |  | <b>190.1</b> |

The purchase price allocation is based upon preliminary information and is subject to change when additional information is obtained. Goodwill recognized results from a substantial assembled workforce, which does not qualify for separate recognition, as well as expected future synergies from combining operations. All of the goodwill recognized is expected to be deductible for tax purposes, given the acquisition was structured as an asset acquisition. The Company has not completed its final assessment of the fair values of Buffalo Group's assets acquired and liabilities assumed. The final purchase price allocation could result in adjustments to certain assets and liabilities, including the residual amount allocated to goodwill.

Identifiable intangibles are customer relationships, contracts and backlog and have estimated lives of 9 years.

Fair value measurements relating to the Buffalo Group are made primarily using Level 3 inputs including discounted cash flow and Monte Carlo simulation techniques. Fair value for the identified intangible assets is estimated using inputs primarily for the income approach, which include the use of both the multiple period excess earnings 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 reflects the level of risk associated with receiving future cash flows. 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. The fair value of the contingent consideration is estimated using a Monte Carlo simulation and the significant assumptions used include projections of revenues for Buffalo Group through fiscal 2021 and probabilities of meeting those projections.

No summarized unaudited pro forma results are provided for the Buffalo Group due to the immateriality of this acquisition relative to the Company's consolidated financial position and results of operations.

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

**John Wood Group's Nuclear Business**

On March 6, 2020, a subsidiary of Jacobs completed the acquisition of the nuclear consulting, remediation and program management business of John Wood Group, a U.K.-based energy services company, for an enterprise value of £246 million, or approximately \$317.9 million, less cash acquired of \$24.3 million, as updated for additional working capital adjustments. The John Wood Group nuclear business allows Jacobs to further expand its lifecycle nuclear services business. The following summarizes the fair values of John Wood Group's assets acquired and liabilities assumed as of the acquisition date (in millions):

|                                                                  |           |  |              |
|------------------------------------------------------------------|-----------|--|--------------|
| <b>Assets</b>                                                    |           |  |              |
| Cash and cash equivalents                                        | \$        |  | 24.3         |
| Receivables                                                      |           |  | 74.2         |
| Other current assets                                             |           |  | 3.8          |
| Property, equipment and improvements, net                        |           |  | 8.3          |
| Goodwill                                                         |           |  | 207.8        |
| Identifiable intangible assets                                   |           |  | 80.0         |
| Miscellaneous                                                    |           |  | 19.4         |
| <b>Total Assets</b>                                              | <b>\$</b> |  | <b>417.8</b> |
| <b>Liabilities</b>                                               |           |  |              |
| Accounts payable, accrued expenses and other current liabilities | \$        |  | 71.4         |
| Long term liabilities                                            |           |  | 28.5         |
| <b>Total Liabilities</b>                                         |           |  | <b>99.9</b>  |
| <b>Net assets acquired</b>                                       | <b>\$</b> |  | <b>317.9</b> |

Goodwill recognized 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 completed its final assessment of the fair values of the acquired assets and liabilities of John Wood Group's nuclear business. Since the initial preliminary estimates reported in the second quarter of fiscal 2020, the Company has updated certain amounts reflected in the final purchase price allocation, as summarized in the fair values of John Wood Group's nuclear business assets acquired and liabilities assumed as of the acquisition date as set forth above.

Identifiable intangibles include customer relationships, contracts and backlog and developed technology. The customer relationships, contracts and backlog intangible represents the fair value of existing contracts, underlying customer relationships and backlog. The customer relationships, contracts and backlog intangible and the developed technology intangible have lives of 12 and 15 years, respectively.

Fair value measurements relating to the John Wood Group nuclear business are made primarily using Level 3 inputs including discounted cash flow techniques. Fair value is estimated using inputs primarily for 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 reflects the level of risk associated with receiving future cash flows. 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.

No summarized unaudited pro forma results are provided for the John Wood Group nuclear business due to the immateriality of this acquisition relative to the Company's consolidated financial position and results of operations.

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

**17. Sale of Energy, Chemicals and Resources ("ECR") Business**

On April 26, 2019, Jacobs completed the sale of its ECR business to Worley for a purchase price of \$3.4 billion consisting of (i) \$2.8 billion in cash plus (ii) 58.2 million ordinary shares of Worley, subject to adjustments for changes in working capital and certain other items (the "ECR sale").

**Discontinued Operations**

As a result of the ECR sale, substantially all ECR-related assets and liabilities were sold (the "Disposal Group"). We determined that the Disposal Group should be reported as discontinued operations in accordance with ASC 210-05, *Discontinued Operations* because their disposal represent a strategic shift that had a major effect on our operations and financial results. As such, the financial results of the ECR business are reflected in our unaudited Consolidated Statements of Earnings as discontinued operations for all periods presented. Additionally, assets and liabilities of the ECR business were reflected as held-for-sale in the Consolidated Balance Sheets through December 27, 2019. As of the fiscal year ended October 2, 2020, all of the ECR business to be sold under the terms of the ECR sale had been conveyed to Worley and as such, no amounts remain held for sale.

**Summarized Financial Information of Discontinued Operations**

The following table represents earnings (loss) from discontinued operations, net of tax (in thousands):

|                                                        | For the Three Months Ended |               | For the Nine Months Ended |               |
|--------------------------------------------------------|----------------------------|---------------|---------------------------|---------------|
|                                                        | July 2, 2021               | June 26, 2020 | July 2, 2021              | June 26, 2020 |
| Revenues                                               | \$ —                       | \$ 59         | \$ —                      | \$ 11,221     |
| Direct cost of contracts                               | —                          | (69)          | —                         | (6,124)       |
| Gross profit                                           | —                          | (10)          | —                         | 5,097         |
| Selling, general and administrative expenses           | —                          | (801)         | (34)                      | 43,359        |
| Operating (Loss) Profit                                | —                          | (811)         | (34)                      | 48,456        |
| Gain on sale of ECR business                           | —                          | 31,456        | 15,608                    | 113,366       |
| Other expense, net                                     | 509                        | 1,472         | (72)                      | 112           |
| Earnings Before Taxes from Discontinued Operations     | 509                        | 32,117        | 15,502                    | 161,934       |
| Income Tax (Expense) Benefit                           | (125)                      | (14,074)      | (3,812)                   | (36,423)      |
| Net Earnings of the Group from Discontinued Operations | \$ 384                     | \$ 18,043     | \$ 11,690                 | \$ 125,511    |

In the second quarter of fiscal 2021, the Company received final working capital settlement proceeds of \$36.4 million from Worley and as such, recorded a pre-tax gain of \$15.6 million. Offsetting the proceeds from the settlement to arrive at the net gain amount were previously recorded accounts receivable from Worley.

For the nine months ended June 26, 2020, selling, general and administrative expenses included an offsetting insurance recovery of \$50.0 million recorded in connection with a legal matter. For the nine months ended June 26, 2020, the gain on sale of \$113.4 million relates mainly to the recognition of the deferred gain for the delayed transfer of the ECR-related assets and liabilities of the two international entities discussed below, adjustments for working capital and certain other items in connection with the sale and additional income for the release of a deferred gain upon achievement of the IT Migration Date described below in connection with the delivery to Worley of certain IT application and hardware assets related to the ECR business.

**Gain on Sale and Deferred Gain**

As a result of the ECR sale, the Company recognized a pre-tax gain of approximately \$1.0 billion, \$935.1 million of which was recognized in fiscal 2019, \$110.2 million for the year ended October 2, 2020 and \$0.0 million and \$15.6 million for the three and nine months ended July 2, 2021 respectively.



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

Upon closing the ECR sale, the Company retained a noncontrolling interest (with significant influence) in People & Places Solutions ("P&PS")-related activities in one international legal entity acquired by Worley. The fair value of the Company's retained interest in the net assets and liabilities of this entity was estimated at \$33.0 million and recorded at closing. For another international legal entity, the closing and transfer of ECR-related assets to Worley were set to occur at a future date. At the time of the ECR sale, the Company allocated proceeds received to these deferred closing items on a relative fair value basis and recognized a deferred gain of \$34.4 million. During the second fiscal quarter of 2020, the delayed transfer of the ECR-related assets and liabilities of these two international entities occurred, and as a result, previously deferred gain amounts were recognized.

In addition to consideration received for the sale of the business, the proceeds received included advanced consideration for the Company to deliver IT application and related hardware assets at a future date ("IT Migration Date") to Worley upon completion of the interim transition services, described further below. This deliverable of IT assets was considered to be a separate element of the ECR business sale transaction, and accordingly, we allocated a portion of the proceeds received of \$95.3 million on a relative fair value basis to this separate deliverable and recognized deferred income. Upon completion and acceptance of this deliverable by Worley in December 2019, the deferred proceeds were recognized in income, along with expenses associated with any costs incurred and deferred by the Company for this deliverable.

**Investment in Worley Stock**

As discussed above, subsequent to the ECR sale, the Company holds 51.4 million in ordinary shares of Worley. Dividend income and unrealized gains and losses on changes in fair value of Worley shares are recognized in miscellaneous income (expense), net in continuing operations. The Company's investment in Worley is measured at fair value through net income as it is an equity investment with a readily determinable fair value based on quoted market prices and is \$450.1 million at July 2, 2021 and \$347.5 million at October 2, 2020. For the three months ended July 2, 2021 and June 26, 2020, the Company recognized \$36.8 million and \$131.4 million, respectively in gains associated with share price and currency changes on this investment. For the nine months ended July 2, 2021 and June 26, 2020, the Company recognized a gain of \$102.6 million and a loss of \$138.9 million, respectively, associated with share price and currency changes on this investment. The nine months ended July 2, 2021 include Worley stock dividends of \$9.8 million and for the nine months ended June 26, 2020, \$7.7 million. Quoted market prices are available for these securities in an active market and therefore categorized as a Level 1 input.

**Transition Service Agreement**

Upon closing of the ECR sale, the Company entered into a Transition Services Agreement (the "TSA") with Worley pursuant to which the Company, on an interim basis, provided various services to Worley, including executive consultation, corporate, information technology, and project services. The initial term of the TSA began immediately following closing of the ECR sale on April 26, 2019 and expired in April 2020, although the parties mutually agreed to extend certain of the services for additional time periods beyond the initial term. Pursuant to the terms of the TSA, the Company received payments for the interim services which approximate costs incurred to perform the services. The Company has recognized costs recorded in SG&A expense incurred to perform the TSA, offset by \$0.2 million and \$15.2 million in TSA related income for such services that is reported in miscellaneous income (expense) for the nine months ended July 2, 2021 and June 26, 2020, respectively, before inclusion of certain incremental outside service support costs agreed to be shared equally by the parties.

**18. Restructuring and Other Charges**

During fiscal 2021, the Company implemented certain restructuring and integration initiatives relating to the Buffalo Group acquisition and the PA Consulting investment. The activities of these initiatives are expected to be substantially completed before the end of fiscal 2021.

Additionally, the Company recorded an impairment on its investment in AWE during fiscal 2021. See related discussion in Note 11- Joint ventures, VIEs and other investments.

During fiscal 2020, the Company implemented certain restructuring and separation initiatives, including the Company's fourth quarter fiscal 2020 transformation initiatives relating to real estate and other staffing programs. The activities of these initiatives are expected to continue into fiscal 2023.

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

During fiscal 2019 and continuing into fiscal 2020, the Company implemented certain restructuring, separation and integration initiatives associated with the ECR sale, the acquisition of KeyW Holding Corporation ("KeyW"), and other related cost reduction initiatives. Additionally, in fiscal 2020, the Company implemented certain restructuring and integration initiatives associated with the acquisition of John Wood Group's nuclear business. The restructuring activities and related costs were comprised mainly of separation and lease abandonment and sublease programs, while the separation and 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 ECR-business separation and integration of KeyW and the John Wood Group's nuclear business. The activities of these initiatives are expected to be substantially completed before the end of fiscal 2021.

During the fourth fiscal quarter of 2017, the Company implemented certain restructuring and pre-integration plans associated with the then-pending acquisition of CH2M Hill Companies, Ltd. ("CH2M"), an international provider of engineering, construction and technical services (the "CH2M acquisition"), 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 integration activities and costs were mainly related to the engagement of professional services and internal personnel and other related costs dedicated to the Company's integration management efforts. Following the closing of the CH2M acquisition, these activities have continued through fiscal 2020 and are expected to be substantially completed before the end of fiscal 2022.

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 by line of business ("LOB") in connection with the CH2M, KeyW, John Wood Group's nuclear business and Buffalo Group acquisitions and the PA Consulting investment, the ECR sale and the Company's fourth quarter fiscal 2020 transformation initiatives relating to real estate and other staffing programs and impairment of the AWE Management Ltd. investment for the three and nine months ended July 2, 2021 and the CH2M, KeyW and John Wood Group's nuclear business acquisitions and the ECR sale for the three and nine months ended June 26, 2020 (in thousands):

|                            | Three Months Ended |               | Nine Months Ended |               |
|----------------------------|--------------------|---------------|-------------------|---------------|
|                            | July 2, 2021       | June 26, 2020 | July 2, 2021      | June 26, 2020 |
| Critical Mission Solutions | \$ 921             | \$ 3,173      | \$ 4,840          | \$ 11,248     |
| People & Places Solutions  | 592                | 3,818         | 7,291             | 19,507        |
| PA Consulting              | 1,351              | —             | 14,449            | —             |
| Corporate                  | 10,904             | 12,690        | 65,929            | 81,554        |
| Total (1)                  | \$ 13,768          | \$ 19,681     | \$ 92,509         | \$ 112,309    |

- (1) For the three months ended July 2, 2021 and June 26, 2020, amounts include \$8.0 million and \$19.7 million, respectively, and for the nine months ended July 2, 2021 and June 26, 2020, amounts include \$53.6 million and \$109.6 million, respectively, in items impacting operating profit, along with items recorded in other income (expense), net, which includes a \$38.9 million charge related to the impairment of our AWE Management Ltd. investment which is reflected in other income (expense) for the nine months ended July 2, 2021 and the loss on settlement of the CH2M portion of the U.S. pension plan of \$2.1 million for the nine months ended June 26, 2020. See Note 20- Segment Information.

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

The activity in the Company's accrual for the Restructuring and other charges, including the program activities described above, for the nine months ended July 2, 2021 is as follows (in thousands):

|                            |                  |
|----------------------------|------------------|
| Balance at October 2, 2020 | \$ 52,854        |
| Net Charges                | 92,509           |
| Payments and Usage         | (131,758)        |
| Balance at July 2, 2021    | <u>\$ 13,605</u> |

The following table summarizes the Restructuring and other charges by major type of costs for the three and nine months ended July 2, 2021 and June 26, 2020 (in thousands):

|                                        | Three Months Ended |                  | Nine Months Ended |                   |
|----------------------------------------|--------------------|------------------|-------------------|-------------------|
|                                        | July 2, 2021       | June 26, 2020    | July 2, 2021      | June 26, 2020     |
| Lease Abandonments and Impairments     | \$ 354             | \$ (11,776)      | \$ 2,565          | \$ (7,860)        |
| Voluntary and Involuntary Terminations | 1,692              | (49)             | 14,227            | 18,222            |
| Outside Services                       | 5,463              | 20,865           | 31,516            | 74,223            |
| Other (1)                              | 6,259              | 10,641           | 44,201            | 27,724            |
| Total                                  | <u>\$ 13,768</u>   | <u>\$ 19,681</u> | <u>\$ 92,509</u>  | <u>\$ 112,309</u> |

(1) Includes \$38.9 million related to the impairment of our AWE Management Ltd. investment for the nine months ended July 2, 2021.

Cumulative amounts since 2017 incurred to date under our various restructuring and other activities described above by each major type of cost as of July 2, 2021 are as follows (in thousands):

|                                        |                   |
|----------------------------------------|-------------------|
| Lease Abandonments and Impairments     | \$ 316,081        |
| Voluntary and Involuntary Terminations | 143,196           |
| Outside Services                       | 290,300           |
| Other                                  | 144,855           |
| Total                                  | <u>\$ 894,432</u> |

## 19. Commitments and Contingencies and Derivative Financial Instruments

### Derivative Financial Instruments

The Company is exposed to interest rate risk under its variable rate borrowings and additionally, due to the nature of the Company's international operations, we are at times exposed to foreign currency risk. As such, we sometimes enter into foreign exchange hedging contracts and interest rate hedging contracts in order to limit our exposure to fluctuating foreign currencies and interest rates.

In fiscal 2020 we entered into interest rate swap agreements with a notional value of \$801.9 million as of July 2, 2021 to manage the interest rate exposure on our variable rate loans. Additionally, we entered into a cross-currency swap agreement with a notional value of \$127.8 million to manage the interest rate and foreign currency exposure on our USD borrowings by a European subsidiary. By entering into the swap agreements, the Company converted the LIBOR rate based liability into a fixed rate liability and, for the cross currency swap, our LIBOR rate based borrowing in USD to a fixed rate Euro liability, for periods ranging from three and a half to ten years. Under the interest rate swap agreements, the Company receives the one month LIBOR rate and pays monthly a fixed rate ranging from .704% to 1.116% and under the cross currency swap agreement, the Company receives the one month LIBOR rate plus 0.875% in USD and pays monthly a Euro fixed rate of .726% to .746% for the term of the swaps. The swaps were designated as cash-flow hedges in accordance with ASC 815, *Derivatives and Hedging*. The fair value of the interest rate and cross currency swaps at July 2, 2021 and October 2, 2020 was \$(9.2) million and \$(31.5) million, respectively, of which \$(14.7) million is included in

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

other deferred liabilities and \$5.5 million is included in miscellaneous other assets on the consolidated balance sheets at July 2, 2021. The entire amount was included in other deferred liabilities at October 2, 2020. The unrealized net gain (loss) on these interest rate and cross currency swaps was \$4.2 million and \$(14.6) million, net of tax, and was included in accumulated other comprehensive income as of July 2, 2021 and October 2, 2020, respectively.

Additionally, the Company held foreign exchange forward contracts in currencies that support our operations, including British Pound, Euro, Australian Dollar and other currencies, with notional values of \$498.0 million at July 2, 2021 and \$393.7 million at October 2, 2020. The length of these contracts currently ranges from one to 12 months. The fair value of the foreign exchange contracts at July 2, 2021 and October 2, 2020 was \$67.5 million and \$53.5 million, respectively, which is included in current assets within receivables and contract assets on the consolidated balance sheets and with associated income statement impacts included in miscellaneous income (expense) in the consolidated statements of earnings.

The fair value measurements of these derivatives are being made using Level 2 inputs under ASC 820, *Fair Value Measurement*, as the measurements are based on observable inputs other than quoted prices in active markets. We are exposed to risk from credit-related losses resulting from nonperformance by counterparties to our financial instruments. We perform credit evaluations of our counterparties under forward exchange and interest rate contracts and expect all counterparties to meet their obligations. We have not experienced credit losses from our counterparties.

**Contractual Guarantees and Insurance**

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 or arbitration in which we are involved includes personal injury claims, professional liability claims and breach of contract claims. 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" and 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. We record in the Consolidated Balance Sheets amounts representing our estimated liability relating to such guarantees, litigation and insurance claims. Guarantees are accounted for in accordance with ASC 460-10, *Guarantees*, at fair value at the inception of the guarantee.

At July 2, 2021 and October 2, 2020, the Company had issued and outstanding approximately \$268.9 million and \$263.0 million, respectively, in LOCs and \$2.1 billion and \$2.3 billion, 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 is asserted by or against the Company. We have also elected to retain a portion of losses and liabilities that occur through using 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 United States, as well as by various government agencies representing jurisdictions outside the United States.

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

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

consolidated results of operations. Insurance recoveries are recorded as assets if recovery is probable and estimated liabilities are not reduced by expected insurance recoveries.

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, beyond amounts currently accrued.

**Litigation and Investigations**

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 ("JKC") 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 and is seeking compensatory damages in the amount of approximately \$530.0 million for repudiatory breach or, in the alternative, seeking damages for unresolved contract claims and change orders. JKC is seeking damages in excess of \$1.7 billion and has drawn on the bonds. In light of the COVID-19 pandemic, a November 2020 date for commencement of the hearing was vacated and the hearing was rescheduled for opening arguments in April 2021 and the remaining proceedings in July and August 2021. The opening arguments did occur as scheduled, but in light of the Covid-19 pandemic, the remaining proceedings were rescheduled to now occur in April and May 2022. It is anticipated that closing arguments will be made in July 2022. Although an earlier decision is possible, no decision is expected before the end of 2022 or 2023. In September 2018, JKC filed a declaratory judgment action in Western Australia alleging that the entities which executed parent company guaranties for the Consortium, including CH2M Hill Companies, Ltd., have an obligation to pay JKC's ongoing costs to complete the project after termination. A hearing on that matter was held in March 2019, and a decision in favor of the Consortium was issued. JKC appealed the decision, a hearing on the appeal took place in March 2020 and a decision was handed down on July 22, 2020 denying JKC's appeal in its entirety. The Consortium has denied liability and is vigorously defending JKC's claims and pursuing its affirmative claims against JKC. 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, in excess of the current reserve for this matter. See Note 14- Business Combinations in the Company's fiscal 2020 Form 10-K for further information related to CH2M contingencies.

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

On December 22, 2008, a coal fly ash pond at the Kingston Power Plant of the Tennessee Valley Authority ("TVA") was breached, releasing fly ash waste into the Emory River and surrounding community. In February 2009, TVA awarded a contract to the Company to provide project management services associated with the clean-up. All remediation and dredging were completed in August 2013 by other contractors under direct contracts with TVA. The Company did not perform the remediation, and its scope was limited to program management services. Certain employees of the contractors performing the cleanup work on the project filed lawsuits against the Company beginning in August 2013, alleging they were injured due to the Company's failure to protect the plaintiffs from exposure to fly ash, and asserting related personal injuries. The primary case, Greg Adkisson, et al. v. Jacobs Engineering Group Inc., case No. 3:13-CV-505-TAV-HBG, filed in the U.S. District Court for the Eastern District of Tennessee, consists of 10 consolidated cases. This case and the related cases involve several hundred plaintiffs that were employees of the contractors that completed the remediation and dredging work. The cases are at various stages of litigation, and several of the cases are currently stayed pending resolution of other cases. Additionally, in May 2019, Roane County and the cities of Kingston and Harriman filed a lawsuit against TVA and the Company alleging that they misled the public about risks associated with the released fly ash. In October 2020, the Court granted Jacobs and TVA's motion to dismiss the Roane County litigation and closed the case. In addition, in November 2019, a resident of Roane County, Margie Delozier, filed a putative class action against TVA and the Company alleging they failed to adequately warn local residents about risks associated with the released fly ash. The Company and TVA filed separate motions to dismiss the Delozier case in April 2020. In February 2021, the Court granted dismissal of the Delozier Complaint with prejudice, with the exception of plaintiffs' nuisance cause of action, which plaintiffs voluntarily dismissed in July 2021. In February 2020, the Company learned that the district attorney in Roane County recommended that the Tennessee Bureau of Investigation investigate issues pertaining to clean up worker safety at Kingston, with that investigation still pending. There has been no finding of liability against the Company or that any of the alleged illnesses are the result of exposure to fly ash in any of the above matters. The Company disputes the allegations asserted in all of the above matters and is vigorously defending these matters. The Company does not expect the resolution of these matters to have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

On October 31, 2019, the Company received a request from the Enforcement Division of the Securities and Exchange Commission (the "SEC") for the production of certain information and documents. The information and documents sought by the SEC primarily relate to the operations of a joint venture in Morocco which was at one time partially-owned by the Company (and subsequently divested), including in respect of possible corrupt practices. The Company is fully cooperating with the SEC and is continuing to produce information and documents in its possession in response to subsequent requests by the SEC. 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.

## **20. Segment Information**

The Company's three operating segments and global lines of business ("LOBs") are as follows: Critical Mission Solutions ("CMS") and People & Places Solutions ("P&PS"), along with the addition of a new LOB in the second quarter of fiscal year 2021, PA Consulting, as a result of the recent strategic investment in this business. For further information on the PA Consulting investment, refer to Note 15 - *PA Consulting Business Combination*.

The Company's Chair and Chief Executive Officer is the Chief Operating Decision Maker ("CODM") and can 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 this organization, the sales function is managed by LOB, and accordingly, the associated cost is embedded in the segments and reported to the respective head of each LOB. 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 Leadership Performance Plan ("LPP"), formerly named the Management Incentive Plan, 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).

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

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.

The following tables present total revenues and segment operating profit from continuing operations 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, Restructuring and other charges (as defined in Note 18 - Restructuring and Other Charges) and transaction and integration costs (in thousands).

|                                                  | For the Three Months Ended |               | For the Nine Months Ended |               |
|--------------------------------------------------|----------------------------|---------------|---------------------------|---------------|
|                                                  | July 2, 2021               | June 26, 2020 | July 2, 2021              | June 26, 2020 |
| Revenues from External Customers:                |                            |               |                           |               |
| Critical Mission Solutions                       | \$ 1,218,089               | \$ 1,211,143  | \$ 3,822,949              | \$ 3,636,971  |
| People & Places Solutions                        | 2,102,550                  | 2,048,914     | 6,329,088                 | 6,410,301     |
| PA Consulting                                    | 255,797                    | —             | 354,107                   | —             |
| Total                                            | \$ 3,576,436               | \$ 3,260,057  | \$ 10,506,144             | \$ 10,047,272 |
|                                                  |                            |               |                           |               |
|                                                  | For the Three Months Ended |               | For the Nine Months Ended |               |
|                                                  | July 2, 2021               | June 26, 2020 | July 2, 2021              | June 26, 2020 |
| Segment Operating Profit:                        |                            |               |                           |               |
| Critical Mission Solutions                       | \$ 108,131                 | \$ 89,608     | \$ 332,133                | \$ 264,301    |
| People & Places Solutions                        | 205,324                    | 190,453       | 603,654                   | 557,801       |
| PA Consulting                                    | 56,791                     | —             | 84,708                    | —             |
| Total Segment Operating Profit                   | 370,246                    | 280,061       | 1,020,495                 | 822,102       |
| Other Corporate Expenses (1)                     | (104,532)                  | (65,213)      | (238,198)                 | (193,101)     |
| Restructuring, Transaction and Other Charges (2) | (1,968)                    | (20,472)      | (345,725)                 | (115,501)     |
| Total U.S. GAAP Operating (Loss) Profit          | 263,746                    | 194,376       | 436,572                   | 513,501       |
| Total Other (Expense) Income, net (3)            | 19,648                     | 109,305       | 88,650                    | (132,401)     |
| Earnings from Continuing Operations Before Taxes | \$ 283,394                 | \$ 303,681    | \$ 525,222                | \$ 381,001    |

(1) Other corporate expenses also include intangibles amortization of \$49.6 million and \$23.1 million for the three months ended July 2, 2021 and June 26, 2020, respectively, and \$103.3 million and \$67.1 million for the nine months ended July 2, 2021 and June 26, 2020, respectively.

(2) Included in the three and nine months ended July 2, 2021 are \$(2.8) million and \$297.4 million, respectively, of costs incurred in connection with the investment in PA Consulting, in part classified as compensation costs.

(3) The three and nine months ended July 2, 2021 include \$38.7 million and \$102.2 million, respectively, in fair value adjustments related to our investment in Worley stock (net of Worley stock dividend) and certain foreign currency revaluations relating to the ECR sale, \$1.0 million and \$49.6 million, respectively, in fair value adjustments related to our investment in C3 stock. The nine months ended July 2, 2021 also includes \$(38.9) million related to impairment of our AWE Management Ltd. investment. The three and nine months ended June 26, 2020 include revenues under the Company's TSA with Worley of \$1.0 million and \$15.2 million, respectively, and \$123.1 million and \$(119.0) million, respectively, in fair value adjustments related to our investment in Worley stock (net of Worley stock dividend) and certain foreign currency revaluations relating to the ECR sale.

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 business combinations; (iv) the quarterly variances between the Company's actual

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

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, as well as other items, where it has been determined that such adjustments are not indicative of the performance of the related LOB.

See also the further description of results of operations for our operating segments in Item 2- *Management's Discussion and Analysis of Financial Condition and Results of Operations*.



## 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 July 2, 2021 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 2020 Form 10-K, and the most current discussion of our significant accounting policies appears in Note 2- *Significant Accounting Policies* in Notes to Consolidated Financial Statements of our 2020 Form 10-K;
- The Company's fiscal 2020 audited consolidated financial statements and notes thereto included in our 2020 Form 10-K; and
- Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our 2020 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," "could," "can," "may," and similar words are intended to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make concerning the potential continued effects of the COVID-19 pandemic on our business, financial condition and results of operations and our expectations as to our future growth, prospects, financial outlook and business strategy for fiscal 2021 or future fiscal years and the anticipated benefits of the strategic investment in PA Consulting. 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 you should not place undue reliance on such statements as actual results may differ materially. We caution the reader that there are a variety of risks, uncertainties and other factors that could cause actual results to differ materially from what is contained, projected or implied by our forward-looking statements. Such factors include the magnitude, timing, duration and ultimate impact of the COVID-19 pandemic, including the emergence and spread of variants of COVID-19, and any resulting economic downturn on our results, prospects and opportunities; the timeline for easing or removing "shelter-in-place", "stay-at-home", social distancing, travel restrictions and similar orders, measures or restrictions imposed by governments and health officials in response to the pandemic, or if such orders, measures or restrictions are re-imposed after being lifted or eased, including as a result of increases in cases of COVID-19; the development, effectiveness and distribution of vaccines or treatments for COVID-19; the timing and scope of any government stimulus programs enacted in response to the impacts of the COVID-19 pandemic, including, but not limited to, any proposed infrastructure-related stimulus programs. The impact of such matters includes, but is not limited to, the possible reduction in demand for certain of our services and the delay or abandonment of ongoing or anticipated projects due to the financial condition of our clients and suppliers or to governmental budget constraints or changes to governmental budgetary priorities; the inability of our clients to meet their payment obligations in a timely manner or at all; potential issues and risks related to a significant portion of our employees working remotely; illness, travel restrictions and other workforce disruptions that could negatively affect our supply chain and our ability to timely and satisfactorily complete our clients' projects; difficulties associated with hiring additional employees or replacing any furloughed employees; increased volatility in the capital markets that may affect our ability to access sources of liquidity on acceptable pricing or borrowing terms or at all; and the inability of governments in certain of the countries in which we operate to effectively mitigate the financial or other impacts of the COVID-19 pandemic on their economies and workforces and our operations therein. The foregoing factors and potential future developments are inherently uncertain, unpredictable and, in many cases, beyond our control. For a description of these and additional factors that may occur that could cause actual results to differ from our forward-looking statements, see those listed and discussed in Item 1A, *Risk Factors* included in our 2020 Form 10-K and our Quarterly Reports on Form 10-Q. 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").

### Impact of COVID-19 on Our Business

On March 11, 2020, the World Health Organization characterized the outbreak of the novel coronavirus ("COVID-19") as a global pandemic and recommended certain containment and mitigation measures. On March 13, 2020, the United States declared a national emergency concerning the outbreak, and the vast majority of states and many municipalities have declared public health emergencies or taken similar actions. Along with these declarations, there were extraordinary and wide-ranging actions taken by international, federal, state and local public health and governmental authorities to contain and combat outbreaks of COVID-19 in regions across the United States and around the world. These actions included quarantines and "stay-at-home" or "shelter-in-place" orders, social distancing measures, travel restrictions, school closures and similar mandates for many individuals in order to substantially restrict daily activities and orders for many businesses to curtail or cease normal operations unless their work is critical, essential or life-sustaining. Although certain jurisdictions have taken steps to lift or ease such restrictions to various degrees, some jurisdictions have subsequently reversed such lifting or easing in response to increased cases of COVID-19. In addition, governments and central banks in the United States and other countries in which we operate have enacted fiscal and monetary stimulus and assistance measures to counteract the economic impacts of COVID-19.

As it became clear that the pandemic was unparalleled in the rate of community spread, we took early, decisive action to put people first, help flatten the curve and take care of our clients and communities. In early March 2020, we swiftly restricted travel and established return protocols for both client-related and personal travel. In 10 days, we successfully transitioned more than 85% of our employees to a remote working environment to support physical distancing. Where the essential and mission-critical nature of our work requires us to maintain staff at certain sites or locations, we worked closely with our clients and established project-specific plans designed to ensure the safety of our people and the integrity of our operations. Using technology and optimizing our networks, we continue to offer flexible work scenarios for our people, and to deliver business continuity for and continued collaboration with our clients. Our Executive Leadership Team met daily for the first three months and weekly thereafter, focusing on transparency, agile response and business resiliency; and our global and regional crisis management teams continued to maintain consistent messaging and direct local responses. Our regular global Town Halls, a weekly Chair and CEO email and short, self-produced leadership videos are intended to share open, transparent information to connect and unite our global community.

We are a company operating in a critical infrastructure industry, as defined by the U.S. Department of Homeland Security. Consistent with international, federal, state and local requirements to date, we continue to materially operate. In addition, demand for certain of our services, including those supporting health care relief efforts relating to COVID-19, has increased, and could continue to increase, as a result of COVID-19. Notwithstanding our continued critical operations, COVID-19 has negatively impacted our business, and may have further adverse impacts, on our continued operations, including those listed and discussed in Item 1A, *Risk Factors* included in our 2020 Form 10-K. Accordingly, we have reduced spending broadly across the Company, only proceeding with operating and capital spending that is critical. We also temporarily ceased all non-essential hiring and reduced discretionary expenses, including temporarily suspending certain employee benefits and compensation through the end of fiscal 2020. Looking ahead, we have developed contingency plans to reduce costs further if the situation further deteriorates or lasts longer than current expectations. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be necessary or appropriate for the health and safety of employees, contractors, customers, suppliers or others or as required by international, federal, state or local authorities.

Based on current estimates, we expect the impact of COVID-19 to continue throughout fiscal 2021, although to a lesser degree than what was seen in fiscal 2020. Although this business disruption is expected to be temporary, significant uncertainty exists concerning the magnitude, duration and impacts of the COVID-19 pandemic, including with regard to the effects on our customers and customer demand for our services. Accordingly, actual results for future fiscal periods could differ materially versus current expectations and current results and financial condition discussed herein may not be indicative of future operating results and trends.

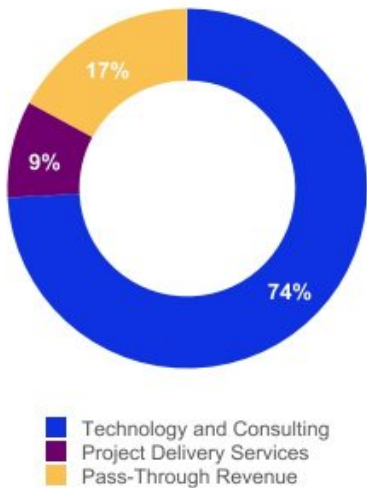
For a discussion of risks and uncertainties related to COVID-19, including the potential impacts on our business, financial condition and results of operations, see Item 1A - Risk Factors contained in our 2020 Form 10-K.

### Business Overview

At Jacobs, we're challenging today to reinvent tomorrow by solving the world's most critical problems for thriving cities, resilient environments, mission-critical outcomes, operational advancement, scientific discovery and cutting-edge manufacturing.

We operate in three lines of business: Critical Mission Solutions, People & Places Solutions and our new investment in PA Consulting. Our business transformation over the last several years includes the \$3.2 billion acquisition of CH2M Hill Companies, Ltd. ("CH2M"), the \$3.4 billion divestiture of the Company's Energy, Chemicals and Resources business and the \$1.7 billion investment in PA Consulting Group Limited ("PA Consulting"). Our acquisitions of KeyW Holding Corporation ("KeyW"), John Wood Group's nuclear business and Buffalo Group LLC ("Buffalo Group"), further position us in high-value government services and technology-enabled solutions.

Revenue by Type (Q3 FY2021)<sup>1</sup>



<sup>1</sup> Due to COVID-19 and the actions taken by governmental authorities and others related thereto, some of the information provided in this summary relating to sources of revenue could be substantially different in the remainder of fiscal 2021.

**Lines of Business**

The Company's three operating segments and global lines of business ("LOBs") are as follows: (i) Critical Mission Solutions, (ii) People & Places Solutions and (iii) the new investment in PA Consulting.

**Critical Mission Solutions (CMS)**

Our Critical Mission Solutions line of business provides a full spectrum of cyber, data analytics, systems and software application integration services and consulting, enterprise level operations and maintenance and mission IT, engineering and design, enterprise operations and maintenance, program management, and other highly technical consulting solutions to government agencies as well as commercial customers and international markets. Across multiple businesses within CMS, we license internally developed technology such as KeyRadar®, Ginkgo and Ion®.

Our representative clients include the U.S. Department of Defense (DoD), the Combatant Commands, the U.S. Intelligence Community, NASA, the U.S. Department of Energy (DoE), Ministry of Defence in the U.K., Nuclear Decommissioning Authority (NDA), and the Australian Department of Defence, as well as private sector customers mainly in the aerospace, automotive, energy and telecom sectors.

Within the nuclear sector, our customers have decades-long initiatives to manage, upgrade, decommission and remediate existing energy infrastructure.

The U.S. government is the world's largest buyer of technical services, and in fiscal 2020, approximately 79% of CMS's revenue was earned from serving the DoD, intelligence community and federal civilian governmental entities. In fiscal 2020, approximately 8% of CMS's revenue was from various U.S. commercial sectors, including the telecommunications sector, which anticipates a large cellular infrastructure build-out from 4G to 5G technology. Our international customers, which accounted for 13% of fiscal 2020 revenue, have also increased demand for our IT and cybersecurity solutions and nuclear projects, and the U.K. Ministry of Defence continues to focus on accelerating its strategic innovative and technology focused initiatives.

## People & Places Solutions (P&PS)

Jacobs' People & Places Solutions line of business provides end-to-end solutions for our clients' most complex challenges - whether climate change, energy transition, connected mobility, integrated water management, smart cities or vaccine manufacturing. In doing so, we incorporate the full spectrum of data science and technology-enabled toolsets within a human-centric solution development and delivery framework that embraces inclusive engagement of partners and stakeholders and generates enduring social equity/value as part of consulting, planning, architecture, design and engineering project outcomes, as well as long-term operation of facilities and infrastructure. Solutions may be delivered as standalone engagements or through comprehensive program management that integrates disparate workstreams to yield additional benefits and efficiencies not attainable through project-by-project implementation. We also provide progressive design-build and construction management at-risk delivery solutions in targeted markets.

Our clients include national, state and local government in the U.S., Canada, Europe, U.K., Middle East, Australia, New Zealand and Asia, as well as multinational private sector clients throughout the world.

## PA Consulting

Jacobs recently invested in a 65% stake in PA Consulting. PA provides consulting services based on its purpose: Bringing Ingenuity to Life. Its diverse teams of experts combine innovative thinking and breakthrough use of technologies to progress further, faster. PA's clients adapt and transform and achieve enduring results. An innovation and transformation consultancy, PA has 3,300 specialists in consumer and manufacturing, defense and security, energy and utilities, financial services, government, health and life sciences, and transport. PA people are strategists, innovators, designers, consultants, digital experts, scientists, engineers and technologists. The team operates globally from offices across the UK, US, Netherlands and Nordics.

### **Energy, Chemicals and Resources (ECR)**

#### *ECR Disposition*

On April 26, 2019, Jacobs completed the sale of its ECR business to Worley Limited, a company incorporated in Australia ("Worley"), for a purchase price of \$3.4 billion consisting of (i) \$2.8 billion in cash plus (ii) 58.2 million ordinary shares of Worley, subject to adjustments for changes in working capital and certain other items (the "ECR sale").

As a result of the ECR sale, substantially all ECR-related assets and liabilities were sold (the "Disposal Group"). We determined that the disposal group should be reported as discontinued operations in accordance with ASC 210-05, *Discontinued Operations* because their disposal represented a strategic shift that had a major effect on our operations and financial results. As such, the assets and liabilities of the ECR business were reflected as held-for-sale in the Consolidated Balance Sheets through September 27, 2019. As of the year ended October 2, 2020, all of the ECR business to be sold under the terms of the ECR sale had been conveyed to Worley and as such, no amounts remain held for sale. For further discussion see Note 17- *Sale of Energy, Chemicals and Resources ("ECR") Business* to the consolidated financial statements.

# Results of Operations for the three and nine months ended July 2, 2021 and June 26, 2020

(in thousands, except per share information)

|                                                                                  | For the Three Months Ended |               | For the Nine Months Ended |               |
|----------------------------------------------------------------------------------|----------------------------|---------------|---------------------------|---------------|
|                                                                                  | July 2, 2021               | June 26, 2020 | July 2, 2021              | June 26, 2020 |
| Revenues                                                                         | \$ 3,576,436               | \$ 3,260,057  | \$ 10,506,144             | \$ 10,047,286 |
| Direct cost of contracts                                                         | (2,759,501)                | (2,631,031)   | (8,290,137)               | (8,125,554)   |
| Gross profit                                                                     | 816,935                    | 629,026       | 2,216,007                 | 1,921,732     |
| Selling, general and administrative expenses                                     | (553,189)                  | (434,650)     | (1,779,435)               | (1,408,232)   |
| Operating Profit                                                                 | 263,746                    | 194,376       | 436,572                   | 513,500       |
| Other Income (Expense):                                                          |                            |               |                           |               |
| Interest income                                                                  | 1,001                      | 1,249         | 2,733                     | 3,180         |
| Interest expense                                                                 | (20,011)                   | (18,193)      | (52,788)                  | (48,163)      |
| Miscellaneous income (expense), net                                              | 38,658                     | 126,249       | 138,705                   | (87,470)      |
| Total other income (expense), net                                                | 19,648                     | 109,305       | 88,650                    | (132,453)     |
| Earnings from Continuing Operations Before Taxes                                 | 283,394                    | 303,681       | 525,222                   | 381,047       |
| Income Tax Expense from Continuing Operations                                    | (109,186)                  | (67,674)      | (175,437)                 | (75,041)      |
| Net Earnings of the Group from Continuing Operations                             | 174,208                    | 236,007       | 349,785                   | 306,006       |
| Net Earnings of the Group from Discontinued Operations                           | 384                        | 18,043        | 11,690                    | 125,511       |
| Net Earnings of the Group                                                        | 174,592                    | 254,050       | 361,475                   | 431,517       |
| Net Earnings Attributable to Noncontrolling Interests from Continuing Operations | (9,182)                    | (9,121)       | (29,366)                  | (21,662)      |
| Net Loss Attributable to Redeemable Noncontrolling interests                     | 384                        | —             | 101,776                   | —             |
| Net Earnings Attributable to Jacobs from Continuing Operations                   | 165,410                    | 226,886       | 422,195                   | 284,344       |
| Net Earnings Attributable to Jacobs                                              | \$ 165,794                 | \$ 244,929    | \$ 433,885                | \$ 409,855    |
| Net Earnings Per Share:                                                          |                            |               |                           |               |
| Basic Net Earnings from Continuing Operations Per Share                          | \$ 0.83                    | \$ 1.74       | \$ 2.80                   | \$ 2.15       |
| Basic Net Earnings from Discontinued Operations Per Share                        | \$ —                       | \$ 0.14       | \$ 0.09                   | \$ 0.95       |
| Basic Earnings Per Share                                                         | \$ 0.83                    | \$ 1.88       | \$ 2.89                   | \$ 3.11       |
| Diluted Net Earnings from Continuing Operations Per Share                        | \$ 0.82                    | \$ 1.73       | \$ 2.78                   | \$ 2.13       |
| Diluted Net Earnings from Discontinued Operations Per Share                      | \$ —                       | \$ 0.14       | \$ 0.09                   | \$ 0.94       |
| Diluted Earnings Per Share                                                       | \$ 0.83                    | \$ 1.87       | \$ 2.87                   | \$ 3.08       |

## **Overview – Three and Nine Months Ended July 2, 2021**

**COVID-19 Pandemic.** There are many risks and uncertainties regarding the COVID-19 pandemic, including the anticipated duration of the pandemic and the extent of local and worldwide social, political, and economic disruption it may cause. The Company's operations for the third fiscal quarter of 2021 were adversely impacted by COVID-19. While certain business units of Critical Mission Solutions, People & Places Solutions and PA Consulting have experienced, and may continue to experience, an increase in demand for certain of their services regarding new projects that may arise in response to the COVID-19 pandemic, it is still expected that COVID-19 is likely to continue to have an adverse impact on each of Critical Missions Solutions, People & Places Solutions and PA Consulting continuing through the remainder of fiscal 2021 and into fiscal 2022, although to a lesser degree than what was seen in fiscal 2020.

For a discussion of risks and uncertainties related to COVID-19, including the potential impacts on the Company's business, financial condition and results of operations, see "Part I - Item 1A - Risk Factors" of our 2020 Form 10-K.

Net earnings attributable to the Company from continuing operations for the third fiscal quarter ended July 2, 2021 were \$165.4 million (or \$0.82 per diluted share), a decrease of \$61.5 million, or 27.1%, from net earnings of \$226.9 million (or \$1.73 per diluted share) for the corresponding period last year. Overall favorable operating profit improvements during the current quarter compared to the last year benefited from our PA Consulting and Buffalo investing activities in the current year as well as operating profit results in our legacy businesses. However this favorability was offset by comparatively unfavorable results in miscellaneous income (expense), net, for the quarter, with lower appreciation gains associated with our investment in Worley stock and certain foreign currency revaluations relating to the ECR sale of \$29.1 million after-tax in comparison to \$93.3 million in the third quarter fiscal 2020. During the current year quarter, an additional \$30.8 million in additional income tax expense was recognized for a revaluation of the deferred tax asset and liabilities in connection with a statutory tax rate increase in the UK. Also, during third quarter 2021 the Company's reported earnings per share was impacted by an unfavorable \$(0.44) related to an allocation update between preferred and common shares for the PA Consulting investment as required under U.S. GAAP. This per share impact had no impact to the total consideration of the transaction and had no impact on the Company's results of operations, financial position or cash flows; see Note 15 - *PA Consulting Business Combination* in the consolidated financial statements.

Net earnings attributable to the Company from discontinued operations for the third fiscal quarter ended July 2, 2021 were \$0.4 million (or \$0.00 per diluted share), a decrease of \$17.7 million, or 97.9%, from earnings of \$18.0 million (or \$0.14 per diluted share) for the corresponding period last year. Included in the prior year period was the recognition of the deferred gain for the delayed conveyance of the international entities and adjustments for working capital and certain other items in connection with the ECR sale. For further discussion, see Note 17- *Sale of Energy, Chemicals and Resources ("ECR") Business*.

For the nine months ended July 2, 2021, net earnings attributable to the Company from continuing operations were \$422.2 million (or \$2.78 per diluted share), an increase of \$137.9 million, or 48.5%, from \$284.3 million (or \$2.13 per diluted share) for the corresponding period last year. While favorable underlying operating profit improvements for the nine month period in 2021 benefited from our PA Consulting and Buffalo investing activities as well as from underlying operating profit improvement in our legacy businesses, this was offset by the impact of a one-time post-completion compensation expense charge associated with the PA Consulting transaction of \$261 million as reported in selling, general and administrative expenses in the current year. Additionally, included in the Company's reported results in miscellaneous income (expense), net from continuing operations for the nine months ended July 2, 2021 were \$77.6 million in after-tax unrealized appreciation gains recorded in miscellaneous income (expense), net, associated with our investment in Worley stock (net of Worley stock dividend) and certain foreign currency revaluations relating to the ECR sale, as well as after-tax realized gains associated with the sale of our investment in C3 of \$37.4 million as further discussed Note 11 - *Joint Ventures, VIEs and Other Investments*. In comparison, miscellaneous income (expense), net for the corresponding 2020 period included \$90.4 million in after-tax fair value losses associated with our investment in Worley stock (net of Worley stock dividend) and certain foreign currency revaluations relating to the ECR sale. Further, a \$31.5 million after-tax other-than-temporary impairment was recorded for our AWE investment. Also, as mentioned above, the current year to date period also includes additional income tax expense attributable to the tax rate increase in the UK of \$30.8 million, as well as the \$(0.44) per share impact of the value allocation update between preferred and common shares for the PA Consulting investment.

For the nine months ended July 2, 2021, net earnings attributable to the Company from discontinued operations were \$11.7 million (or \$0.09 per diluted share), a decrease of \$113.8 million, or 90.7%, from \$125.5 million (or \$0.94 per diluted share) for the corresponding period last year. Included in net earnings attributable to Jacobs from discontinued operations for the current year to date period was the pre-tax gain amount of approximately \$16 million associated with the final working capital settlement with Worley in connection with the ECR sale. Also, the comparative 2020 year to date period included the settlement of the Nui Phao ("NPMC") legal matter that was reimbursed by insurance, the recognition of the deferred gain for the delayed conveyance of the international entities and for the delivery of the ECR IT assets and adjustments for working capital and certain other items in connection with the ECR sale. For further discussion, see Note 17 - *Sale of Energy, Chemicals and Resources ("ECR") Business*.

On March 2, 2021, Jacobs completed the strategic investment of a 65% interest in PA Consulting. For further discussion, see Note 15 - *PA Consulting Business Combination*.

On November 24, 2020, Jacobs completed the acquisition of Buffalo Group. For further discussion, see Note 16- *Other Business Combinations*.

#### Consolidated Results of Operations

Revenues for the third fiscal quarter of 2021 were \$3.58 billion, an increase of \$316.4 million, or 9.7% from \$3.26 billion for the corresponding period last year. For the nine months ended July 2, 2021, revenues were \$10.51 billion, an increase of \$458.9 million, or 4.6%, from \$10.05 billion for the corresponding period last year. The increase in revenues for the year over year periods was partly due to fiscal 2021 incremental revenues from the PA Consulting investment and the Buffalo Group and John Wood Group Nuclear business acquisitions. In addition, revenue growth benefited from favorable foreign currency translation of \$100.2 million and \$213.1 million for the three and nine month periods ended July 2, 2021, respectively, in our international businesses, which was partially offset by market conditions and certain contract wind downs in our U.S. businesses as compared to unfavorable impacts of \$27.4 million and \$63.1 million for the corresponding periods last year. Pass-through costs included in revenues for the three and nine months ended July 2, 2021 amounted to \$612.0 million and \$1.84 billion, respectively, an increase of \$33.3 million and decrease of \$(84.5) million, or 5.8% and (4.4)%, from \$578.7 million and \$1.92 billion from the corresponding periods last year.

Gross profit for the third quarter of 2021 was \$816.9 million, an increase of \$187.9 million, or 29.9%, from \$629.0 million from the corresponding period last year. Our gross profit margins were 22.8% and 19.3% for the three months ended July 2, 2021 and June 26, 2020, respectively, with these trend differences being mainly attributable to favorable margin trends from our recent PA Consulting investment, the Buffalo Group and the John Wood Group nuclear business acquisitions along with favorable foreign currency translation impact in our international businesses, offset in part by higher overhead rate impacts on revenue. Gross profit for the nine months ended July 2, 2021 was \$2.22 billion, an increase of \$294.3 million, or 15.3%, from \$1.92 billion from the corresponding period to date last year. Our gross profit margins were 21.1% and 19.1% for the nine months ended July 2, 2021 and June 26, 2020, respectively, with these trend differences being mainly attributable to the recent business acquisitions mentioned above along with favorable foreign currency translation impact in our international businesses and offset in part by higher overhead rate impacts mentioned above.

See **Segment Financial Information** discussion for further information on the Company's results of operations at the operating segment.

SG&A expenses for the three and nine months ended July 2, 2021 were \$553.2 million and \$1.78 billion, respectively, an increase of \$118.5 million and \$371.2 million, or 27.3% and 26.4%, from \$434.7 million and \$1.41 billion for the corresponding periods last year. The current year's three and nine months ended results were impacted by incremental SG&A expenses from the recent business acquisitions mentioned above and higher personnel-related costs, partly offset by lower other operational overhead costs. Additionally, higher Restructuring and other charges for the nine-month period of 2021 were mainly attributable to post-completion compensation expense of \$261 million in connection with the investment in PA Consulting. Incremental SG&A expenses from the above-mentioned business acquisitions have been offset in part by continued reductions in personnel-related and other overhead costs resulting from our ongoing cost reduction programs. Unfavorable impacts on SG&A expenses from foreign exchange were \$19.3 million and \$66.7 million, respectively, for the three and nine months ended July 2, 2021 as compared to favorable impacts of \$5.7 million and \$12.4 million for the corresponding periods last year.

Net interest expense for the three and nine months ended July 2, 2021 was \$19.0 million and \$50.1 million, respectively, an increase of \$2.1 million and \$5.1 million from \$16.9 million and \$45.0 million for the corresponding

periods last year. The increase in net interest expense for the three and nine month periods year over year is due to higher levels of average debt outstanding relating in part to the funding of the PA Consulting investment, partially offset by lower interest rates.

Miscellaneous income (expense), net for the three and nine months ended July 2, 2021 was \$38.7 million and \$138.7 million, respectively, in comparison to \$126.2 million and \$(87.5) million, respectively, for the corresponding periods last year. The \$87.6 million decrease from the prior year three-month period was due primarily to comparatively lower pre-tax unrealized appreciation gains on the Worley stock (net of dividends) and certain foreign currency revaluations relating to the ECR sale. For the nine-month period comparison, the \$226.2 million improvement was associated mainly with higher comparative results from current year performance of the Worley investment related activities mentioned above versus the prior year and was also attributable to pre-tax realized gains of \$49.6 million related to holdings of our C3 shares sold during the period, as further discussed in Note 11 - *Joint Ventures, VIEs and Other Investments*. These favorable impacts for the nine month period of 2021 were partially offset by an other-than-temporary impairment on its investment in AWE in the amount of \$38.9 million.

The Company's effective tax rates from continuing operations for the three months ended July 2, 2021 and June 26, 2020 were 38.5% and 22.3%, respectively. The Company's effective tax rate from continuing operations for the three months ended July 2, 2021 was higher than the corresponding rate in the prior period primarily due to a tax expense of \$30.8 million attributable to a revaluation of the deferred tax asset and liabilities for a tax rate increase in the UK during the current quarter, with offsetting benefits of \$2.2 million for the release of uncertain tax positions due to the statute of limitations expiring and \$0.9 million of Internal Revenue Code section 179D energy credit. Comparatively, for the three months ended June 26, 2020, the Company had a \$12.6 million benefit for the release of a valuation allowance in the UK.

The Company's effective tax rates from continuing operations for the nine months ended July 2, 2021 and June 26, 2020 were 33.4% and 19.7%, respectively. The Company's effective tax rate from continuing operations for the nine months ended July 2, 2021 was higher than the corresponding rate in the prior period primarily due to the revaluations of deferred tax assets and liabilities for the tax rate increase in the UK mentioned above and \$15.0 million attributable to US foreign inclusions in the current year. Also contributing to the higher year to date rate is the absence of a prior year favorable benefit of \$5.8 million from amended returns for foreign tax credits and research and development credits, a \$4.1 million benefit related to an India withholding tax rate change and \$7.0 million benefit from an Internal Revenue Code section 179D energy credit for the period ending June 26, 2020. The current year increase was further offset by a \$4.2 million excess tax benefit attributable to stock compensation and a \$12.1 million benefit related to a change in the Company's assertion about indefinite reinvestment of certain foreign unremitted earnings in Canada and India.

See Note 17 - Sale of Energy, Chemicals and Resources ("ECR") Business for further information on the Company's discontinued operations reporting for the sale of the ECR business.

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.



## 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 from continuing operations by including certain corporate-level expenses, Restructuring and other charges and transaction and integration costs (in thousands).

|                                                  | Three Months Ended |               | Nine Months Ended |               |
|--------------------------------------------------|--------------------|---------------|-------------------|---------------|
|                                                  | July 2, 2021       | June 26, 2020 | July 2, 2021      | June 26, 2020 |
| Revenues from External Customers:                |                    |               |                   |               |
| Critical Mission Solutions                       | \$ 1,218,089       | \$ 1,211,143  | \$ 3,822,949      | \$ 3,636,978  |
| People & Places Solutions                        | 2,102,550          | 2,048,914     | 6,329,088         | 6,410,308     |
| PA Consulting                                    | 255,797            | —             | 354,107           | —             |
| Total                                            | \$ 3,576,436       | \$ 3,260,057  | \$10,506,144      | \$10,047,286  |
|                                                  |                    |               |                   |               |
|                                                  | Three Months Ended |               | Nine Months Ended |               |
|                                                  | July 2, 2021       | June 26, 2020 | July 2, 2021      | June 26, 2020 |
| Segment Operating Profit:                        |                    |               |                   |               |
| Critical Mission Solutions                       | \$ 108,131         | \$ 89,608     | \$ 332,133        | \$ 264,323    |
| People & Places Solutions                        | 205,324            | 190,453       | 603,654           | 557,864       |
| PA Consulting                                    | 56,791             | —             | 84,708            | —             |
| Total Segment Operating Profit                   | 370,246            | 280,061       | 1,020,495         | 822,187       |
| Other Corporate Expenses (1)                     | (104,532)          | (65,213)      | (238,198)         | (193,148)     |
| Restructuring, Transaction and Other Charges (2) | (1,968)            | (20,472)      | (345,725)         | (115,539)     |
| Total U.S. GAAP Operating Profit                 | 263,746            | 194,376       | 436,572           | 513,500       |
| Total Other Income (Expense), net (3)            | 19,648             | 109,305       | 88,650            | (132,453)     |
| Earnings Before Taxes from Continuing Operations | \$ 283,394         | \$ 303,681    | \$ 525,222        | \$ 381,047    |

(1) Other corporate expenses also include intangibles amortization of \$49.6 million and \$23.1 million for the three months ended July 2, 2021 and June 26, 2020, respectively, and \$103.3 million and \$67.1 million for the nine months ended July 2, 2021 and June 26, 2020, respectively.

(2) Included in the three and nine months ended July 2, 2021 are \$(2.8) million and \$297.4 million, respectively, of costs incurred in connection with the investment in PA Consulting, in part classified as compensation costs.

(3) The three and nine months ended July 2, 2021 include \$38.7 million and \$102.2 million, respectively, in fair value adjustments related to our investment in Worley stock (net of Worley stock dividend) and certain foreign currency revaluations relating to the ECR sale, \$1.0 million and \$49.6 million, respectively, in fair value adjustments related to our investment in C3 stock. The nine months ended July 2, 2021 also includes \$(38.9) million related to impairment of our AWE Management Ltd. investment. The three and nine months ended June 26, 2020 include revenues under the Company's TSA with Worley of \$1.0 million and \$15.2 million, respectively, and \$123.1 million and \$(119.0) million, respectively, in fair value adjustments related to our investment in Worley stock (net of Worley stock dividend) and certain foreign currency revaluations relating to the ECR sale.

## Critical Mission Solutions

|                  | Three Months Ended |               | Nine Months Ended |               |
|------------------|--------------------|---------------|-------------------|---------------|
|                  | July 2, 2021       | June 26, 2020 | July 2, 2021      | June 26, 2020 |
| Revenue          | \$ 1,218,089       | \$ 1,211,143  | \$ 3,822,949      | \$ 3,636,978  |
| Operating Profit | \$ 108,131         | \$ 89,608     | \$ 332,133        | \$ 264,323    |

Critical Mission Solutions (CMS) segment revenues for the three and nine months ended July 2, 2021 were \$1.22 billion and \$3.82 billion, respectively, an increase of \$6.9 million and \$186.0 million, or 0.6% and 5.1%, from \$1.21 billion and \$3.64 billion for the corresponding periods last year. The increase in revenue was attributable mainly to incremental revenue from the Buffalo Group acquisition for the three and nine-month periods and also the John Wood Group nuclear business acquisition for the nine month period. There was also comparable revenue growth from most elements of our legacy portfolio, driven by increased spending by customers in the U.S. government business sector and our legacy international clients, mitigated by several large contracts winding down in the U.S. Impacts on revenues from favorable foreign currency translation were approximately \$26.6 million and \$54.2 million for the three and nine month periods ended July 2, 2021, respectively, compared to \$7.0 million and \$13.4 million in unfavorable impacts, respectively, in the corresponding prior year periods.

Operating profit for the segment was \$108.1 million and \$332.1 million, respectively, for the three and nine months ended July 2, 2021, an increase of \$18.5 million and \$67.8 million, or 20.7% and 25.7%, from \$89.6 million and \$264.3 million for the corresponding periods last year. The increase from the prior year was attributable to incremental operating profit from the Buffalo Group acquisition for the three and nine-month periods and also the John Wood Group nuclear business acquisition for the nine month period and the continued growth in profits from our U.S. governmental business sector and our legacy international business. Impacts on operating profit from favorable foreign currency translation were approximately \$4.3 million and \$8.8 million for the three and nine months ended July 2, 2021, respectively, compared to immaterial impacts in the corresponding prior year periods.

### **People & Places Solutions**

|                  | Three Months Ended |               | Nine Months Ended |               |
|------------------|--------------------|---------------|-------------------|---------------|
|                  | July 2, 2021       | June 26, 2020 | July 2, 2021      | June 26, 2020 |
| Revenue          | \$ 2,102,550       | \$ 2,048,914  | \$ 6,329,088      | \$ 6,410,308  |
| Operating Profit | \$ 205,324         | \$ 190,453    | \$ 603,654        | \$ 557,864    |

Revenues for the People & Places Solutions (P&PS) segment for the three and nine months ended July 2, 2021 were \$2.10 billion and \$6.33 billion, respectively, an increase of \$53.6 million and a decrease of \$(81.2) million, or 2.6% and (1.3)%, from \$2.05 billion and \$6.41 billion for the corresponding periods last year. The revenue growth for the three months ended July 2, 2021 was primarily driven by \$73.6 million in favorable foreign currency translation in our international businesses which was partially offset by softer market conditions in the U.S. businesses. For the nine months ended July 2, 2021, volume decreases in our U.S. markets and our advanced facilities business were partially offset by \$158.9 million in favorable foreign currency translation in our international businesses. Comparatively, unfavorable impacts on revenues from foreign currency translation were approximately \$20.3 million and \$49.6 million, respectively, for the three and nine month periods ended June 26, 2020.

Operating profit for the segment for the three and nine months ended July 2, 2021 were \$205.3 million and \$603.7 million, respectively, an increase of \$14.9 million and \$45.8 million, or 7.8% and 8.2%, from \$190.5 million and \$557.9 million for the corresponding periods last year. The year-over-year increase in operating profit for the three months ended July 2, 2021 was driven by higher revenues which more than offset an increase in labor-related expenses as the Company moderated COVID-19 mitigation efforts from the prior year. For the nine months ended July 2, 2021, operating profit increased relative to the prior year period due to lower spend on travel, real estate and discretionary expenditures. Impacts on operating profit from favorable foreign currency translation were approximately \$13.9 million and \$27.7 million for the three and nine month periods ended July 2, 2021, compared to \$4.5 million and \$8.9 million in unfavorable impacts, respectively, in the corresponding prior year periods.

## PA Consulting

|                  | Three Months Ended |               | Nine Months Ended |               |
|------------------|--------------------|---------------|-------------------|---------------|
|                  | July 2, 2021       | June 26, 2020 | July 2, 2021      | June 26, 2020 |
| Revenue          | \$ 255,797         | \$ —          | \$ 354,107        | \$ —          |
| Operating Profit | \$ 56,791          | \$ —          | \$ 84,708         | \$ —          |

Revenues for the PA Consulting segment for the three and nine months ended July 2, 2021 were \$255.8 million and \$354.1 million. Operating profit for the segment for the three and nine months ended July 2, 2021 was \$56.8 million and \$84.7 million. There were no comparable periods in the prior year, given the transaction closed on March 2, 2021.

### Other Corporate Expenses

Other corporate expenses for the three and nine months ended July 2, 2021 were \$104.5 million and \$238.2 million an increase of \$39.3 million and \$45.1 million from \$65.2 million and \$193.1 million for the corresponding periods last year. This increase was due primarily to higher intangible amortization expense from the PA Consulting investment and the Buffalo Group and John Wood Group nuclear business acquisitions, as well as impacts from Company benefit program enhancements. These increases were partly offset by employee related and other cost reductions across the Company's corporate functions.

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 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, as well as other items, where it has been determined that such adjustments are not indicative of the performance of the related LOB.

### Restructuring and Other Charges

See Note 18- *Restructuring and Other Charges* for information on the Company's activity relating to restructuring and other charges.

### Backlog Information

We include in backlog the total dollar amount of revenues we expect to record in the future as a result of performing work under contracts that have been awarded to us. Our policy with respect to Operations & Maintenance ("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, which are subject to the same policy applicable to all other O&M contracts), our policy is to include in backlog the full contract award, whether funded or unfunded, excluding option periods. Because of variations in 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, including our U.S. government work. While management uses all information available 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 Engineering, Procurement & Construction ("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 July 2, 2021 and June 26, 2020 (in millions):

|                            | July 2, 2021 | June 26, 2020 |
|----------------------------|--------------|---------------|
| Critical Mission Solutions | \$ 9,565     | \$ 9,066      |
| People & Places Solutions  | 15,557       | 14,608        |
| PA Consulting              | 314          | —             |
| Total                      | \$ 25,436    | \$ 23,674     |

The increase in backlog in Critical Mission Solutions (CMS) from June 26, 2020 was primarily the result of the acquisition of the Buffalo Group and conversion of the other robust CMS pipeline.

The increase in backlog in People & Places Solutions (P&PS) from June 26, 2020 was primarily the result of new awards in the U.S. markets.

Backlog in PA Consulting as of July 2, 2021 was \$314.0 million. The PA Consulting transaction closed on March 2, 2021.

Consolidated backlog differs from the Company's remaining performance obligations as defined by ASC 606 primarily because of our national government contracts (other than national government O&M contracts). Our policy is to generally include in backlog the full contract award unless materially large, whether funded or unfunded excluding the option periods while our remaining performance obligations represent a measure of the total dollar value of work to be performed on contracts awarded and in progress. Additionally, the Company includes our proportionate share of backlog related to unconsolidated joint ventures which is not included in our remaining performance obligations.

#### Liquidity and Capital Resources

At July 2, 2021, our principal sources of liquidity consisted of \$966.1 million in cash and cash equivalents and \$1.73 billion of available borrowing capacity under our \$2.25 billion revolving credit agreement (the "Revolving Credit Facility"). We finance much of our operations and growth through cash generated by our operations.

The amount of cash and cash equivalents at July 2, 2021 represented an increase of \$103.7 million from \$862.4 million at October 2, 2020, the reasons for which are described below.

Our cash flow provided by operations of \$523.6 million during the nine months ended July 2, 2021 was favorable by \$149.1 million in comparison to the cash flow provided by operations of \$374.5 million for the corresponding prior year period. This year-over-year increase was due mainly to improved working capital performance overall, with favorability in accounts receivable collections trends partly offset by the \$261 million in PA Consulting post combination incentive payments made during the quarter.

Our cash used for investing activities for the nine months ended was \$1.72 billion, compared to cash used for investing activities of \$392.7 million in the corresponding prior year period, with this change due primarily to the acquired investments in the Buffalo Group and PA Consulting during the current year as well as proceeds received from the Company's disposal of its investment in C3 and the final ECR sale working capital settlement. Investing activities in the nine month period of 2020 were largely associated with the acquisition of the John Wood Group's Nuclear Business for \$286.5 million.

Our cash provided by financing activities of \$1.28 billion for the nine months ended July 2, 2021 resulted mainly from net proceeds from borrowings of \$1.42 billion mainly in connection with the PA Consulting investment, partly offset by cash used for share repurchases of \$24.9 million and \$119.9 million in dividends to shareholders and noncontrolling interests. Cash provided by financing activities in the corresponding prior year period was \$372.5 million, due primarily to net proceeds from borrowings of \$756.5 million, offset by cash used for share repurchases of \$285.8 million and \$97.5 million in dividends to shareholders and noncontrolling interests.

At July 2, 2021, the Company had approximately \$151.3 million in cash and cash equivalents held in the U.S. and \$814.8 million held outside of the U.S. (primarily in the U.K., the Eurozone, Australia, India, Japan and the United Arab Emirates), which is used primarily for funding operations in those regions. Other than the tax cost of repatriating funds to the U.S. (see Note 7- *Income Taxes* of Notes to Consolidated Financial Statements included in our 2020 Form 10-K), there are no material impediments to repatriating these funds to the U.S.

The Company had \$268.9 million in letters of credit outstanding at July 2, 2021. Of this amount, \$1.7 million was issued under the Revolving Credit Facility and \$267.2 million was issued under separate, committed and uncommitted letter-of-credit facilities.

On March 2, 2021, Jacobs completed the strategic investment of a 65% interest in PA Consulting, a UK-based leading innovation and transformation consulting firm. The total consideration paid by the Company was \$1.7 billion, funded through cash on hand, a new term loan and draws on the Company's existing revolver. Further, in connection with the transaction, an estimated additional \$267 million had not yet been distributed at April 2, 2021 due to continuing employment requirements. Consequently, this amount represented compensation expense incurred related to the acquisition that was expensed in the second quarter, and was reflected in selling, general and administrative expense on the consolidated income statement for the six month period ended April 2, 2021. During the third quarter of fiscal 2021, an amount of \$5.6 million of the above estimated charges was forfeited by employees that left the Company before payment, and as such, was recognized in earnings in the three month period ended July 2, 2021. The updated amount of \$261 million is reflected in earnings and cash from operations for the nine month period ended July 2, 2021. The remaining 35% interest is held by PA Consulting employees, whose redeemable noncontrolling interests had a fair value of \$582.4 million on the closing date, including subsequent purchase accounting adjustments. PA Consulting is accounted for as a consolidated subsidiary and as a separate operating segment under U.S. GAAP accounting rules. See Note 12- *Borrowings* for more discussion on the financing for the transaction.

On January 20, 2021, the Company entered into an unsecured delayed draw term loan facility (the "2021 Term Loan Facility") with a syndicate of financial institutions as lenders. Under the 2021 Term Loan Facility, the Company borrowed an aggregate principal amount of \$200.0 million and £650.0 million. The proceeds of the term loans were used primarily to fund the investment in PA Consulting. The 2021 Term Loan Facility contains affirmative and negative covenants and events of default customary for financings of this type that are consistent with those included in the Revolving Credit Facility and the 2020 Term Loan Facility.

On November 24, 2020, a subsidiary of Jacobs completed the acquisition of Buffalo Group, a leader in advanced cyber and intelligence solutions. The Company paid total consideration of \$190.1 million, which was comprised of approximately \$182.4 million in cash to the former owners of Buffalo Group and contingent consideration of \$7.7 million, which is expected to be settled in fiscal 2022. During the third fiscal quarter, the Company recorded an adjustment to the contingent consideration of \$3.8 million to selling, general and administrative expense, resulting in contingent consideration of \$3.9 million at July 2, 2021. In conjunction with the acquisition, the Company assumed the Buffalo Group's debt of approximately \$7.7 million. The Company repaid all of the assumed Buffalo Group debt by the end of the first fiscal quarter of 2021. The Company has recorded its preliminary purchase price allocation associated with the acquisition, which is summarized in Note 16- *Other Business Combinations*.

On March 6, 2020, a subsidiary of Jacobs completed the acquisition of John Wood Group's nuclear consulting, remediation and program management business for an enterprise value of £246 million, or approximately \$317.9 million, less cash acquired of \$24.3 million. The Company has recorded its final purchase accounting allocation associated with the acquisition, which is summarized in Note 16- *Other Business Combinations*.

We believe we have adequate liquidity and capital resources to fund our projected cash requirements for the next twelve months based on the liquidity provided by our cash and cash equivalents on hand, our borrowing capacity and our continuing cash from operations. We further believe that our financial resources and discretionary spend controls, as well as near term benefits from government assistance programs, will allow us to continue managing the negative impacts of the COVID-19 pandemic on our business operations for the foreseeable future, which are expected to include reduced revenue from operating activities, based on current assumptions and expectations regarding the pandemic. We have taken actions to reduce spending more broadly across the Company, only proceeding with operating and capital spending that is critical. We also ceased all non-essential hiring and reduced discretionary expenses, including certain employee benefits and compensation through the end of fiscal 2020. In addition, as a precautionary measure, we temporarily suspended purchases under the share repurchase plan in March 2020, with such suspension remaining in effect through the third fiscal quarter of 2020. During the fourth fiscal quarter of 2020, we resumed share repurchases on a limited basis. Looking ahead, we have developed contingency plans to reduce costs further if the situation deteriorates beyond or lasts longer than current assumptions and expectations.

We were in compliance with all of our debt covenants at July 2, 2021.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We do not enter into derivative financial instruments for trading, speculation or other similar 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 12- *Borrowings* 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 Facilities and Note Purchase Agreement.

Our Revolving Credit Facility, Term Loan Facilities and certain other debt obligations are subject to variable rate interest which could be adversely affected by an increase in interest rates. As of July 2, 2021, we had an aggregate of \$2.63 billion in outstanding borrowings under our Revolving Credit Facility and Term Loan Facilities. 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 Revolving Credit Facility and the Term Loan Facilities). Depending on the Company's Consolidated Leverage Ratio, borrowings under the Revolving Credit Facility and the Term Loan Facilities bear interest at a Eurocurrency rate plus a margin of between 0.875% and 1.625% or a base rate plus a margin of between 0.0% and 0.625% including applicable margins. Additionally, if our Consolidated Leverage Ratio exceeds a certain amount, the interest on the Senior Notes may increase by 75 basis points. However, as discussed in Note 19- *Commitments and Contingencies and Derivative Financial Instruments*, we have entered into swap agreements with an aggregate notional value of \$929.7 million to convert the variable rate interest based liabilities associated with a corresponding amount of our debt into fixed interest rate liabilities, leaving \$1.70 billion in principal amount subject to variable interest rate risk.

For the nine months ended July 2, 2021, our weighted average borrowings that are subject to floating rate exposure were approximately \$1.28 billion. If floating interest rates had increased by 1.00%, our interest expense for the nine months ended July 2, 2021 would have increased by approximately \$9.6 million.

#### **Foreign Currency Risk**

In situations where the Company incurs costs in currencies other than our functional currency, 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 has \$498.0 million in notional value of exchange rate sensitive instruments at July 2, 2021. See Note 19- *Commitments and Contingencies and Derivative Financial Instruments* for discussion.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are those controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chair and Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions regarding required disclosure.

The Company's management, with the participation of its Chair 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 Exchange Act defined above, as of July 2, 2021, 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 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 Chair and Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), as appropriate to allow timely decisions regarding required disclosure.

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 PA Consulting that are subsumed by internal control over financial reporting. PA Consulting accounted for approximately 19% of total assets as of the Evaluation Date and approximately 3% of total revenues of the Company for the nine months ended on the Evaluation Date.

##### **Changes in Internal Control Over Financial Reporting**

There were no changes to our 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 July 2, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

The information required by this Item 1 is included in the Note 19- *Commitments and Contingencies and Derivative Financial Instruments* 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 2020 Form 10-K, which is 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 2021.

#### Share Repurchases

On January 17, 2019, the Company's Board of Directors authorized a share repurchase program of up to \$1.0 billion of the Company's common stock, to expire on January 16, 2022 (the "2019 Repurchase Authorization"). On January 16, 2020, the Company's Board of Directors authorized an additional share repurchase program of up to \$1.0 billion of the Company's common stock, to expire on January 15, 2023 (the "2020 Repurchase Authorization").

There were no share repurchases under the 2019 and 2020 Repurchase Authorizations during the third quarter of fiscal 2021.

As a precautionary measure in light of the COVID-19 pandemic, the Company temporarily suspended purchases under the share repurchase plan in March 2020, with such suspension remaining in effect through the fiscal third quarter of 2020. During the fourth fiscal quarter of 2020, the Company resumed share repurchases on a limited basis while we continue to monitor developments in fiscal 2021 with the pandemic.

The share repurchase programs do not obligate the Company to purchase any shares. Share repurchases may be executed through various means including, without limitation, accelerated share repurchases, open market transactions, privately negotiated transactions, purchases pursuant to Rule 10b5-1 plans or otherwise. The authorization for the share repurchase programs may be terminated, increased or decreased by the Company's Board of Directors in its discretion at any time. The timing, amount and manner of share repurchases may depend upon market conditions and economic circumstances, availability of investment opportunities, the availability and costs of financing, currency fluctuations, the market price of the Company's common stock, other uses of capital and other factors.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosure.

None.

### Item 5. Other Information.

None.



**Item 6. Exhibits.**

[if Chief Executive Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934.](#)

[if Chief Financial Officer pursuant to Rule 13a-14\(a\) under the Securities Exchange Act of 1934.](#)

[if Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

[if Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended July 2, 2021, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Earnings, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags  
ge from the Company's Quarterly Report on Form 10-Q for the quarter ended July 2, 2021, (formatted as Inline XBRL and contained in Exhibit 101).

\*Filed herewith

## 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  
President  
and Chief Financial Officer  
(Principal Financial Officer)

Date: August 3, 2021

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Steven J. Demetriou, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended July 2, 2021 of Jacobs Engineering Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/Steven J. Demetriou

Steven J. Demetriou  
Chief Executive Officer

August 3, 2021

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Kevin C. Berryman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended July 2, 2021 of Jacobs Engineering Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/Kevin C. Berryman

Kevin C. Berryman  
 Chief Financial Officer

August 3, 2021

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**  
**Pursuant to 18 U.S.C. Section 1350**  
**Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Jacobs Engineering Group Inc. (the "Company") on Form 10-Q for the quarter ended July 2, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. Demetriou, Chief Executive Officer of the Company (principal executive officer), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Steven J. Demetriou

Steven J. Demetriou  
Chief Executive Officer

August 3, 2021

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**  
**Pursuant to 18 U.S.C. Section 1350**  
**Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Jacobs Engineering Group Inc. (the "Company") on Form 10-Q for the quarter ended July 2, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin C. Berryman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Kevin C. Berryman

Kevin C. Berryman  
President  
and Chief Financial Officer

August 3, 2021

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.