

JACOBS ENGINEERING GROUP INC /DE/

FORM 10-K (Annual Report)

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

FORM 10-K
ANNUAL REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 27, 2013 Commission File No. 1-7463

Jacobs Engineering Group Inc.

Delaware
State of incorporation

95-4081636
IRS Employer
identification number

155 North Lake Avenue
Pasadena, California 91101
Address of principal executive offices

(626) 578-3500
Telephone number (including area code)

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

Title of Each Class
Common Stock, \$1 par value

Name of Each Exchange on Which Registered
New York Stock Exchange

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

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

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

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

Indicate by check-mark whether the Registrant: has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

☒ Yes - ☐ No

Indicate by check-mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check-mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act) ☐ Yes ☒ No
There were 131,713,475 shares of common stock outstanding as of November 14, 2013. The aggregate market value of the Registrant's common equity held by non-affiliates was approximately \$7.4 billion as of March 28, 2013, based upon the last reported sales price on the New York Stock Exchange on that date.

DOCUMENTS INCORPORATED BY REFERENCE

Part III — Portions of the Registrant's definitive Proxy Statement to be issued in connection with its 2014 Annual Meeting of Shareholders.

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PART I

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements that are not based on historical fact. When used in this report, words such as “expects”, “anticipates”, “believes”, “seeks”, “see”, “estimates”, “plans”, “intends”, and similar words identify forward-looking statements. You should not place undue reliance on any such forward-looking statements. Although such statements are based on management’s current estimates and expectations, and currently available competitive, financial, and economic data, forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause our actual results to differ materially from what may be inferred from the forward-looking statements. Some of the factors that could cause or contribute to such differences are listed and discussed in Item 1A— *Risk Factors* , below. The risk factors and other matters described herein are not all-inclusive, and we undertake no obligation to release publicly any revisions or updates to any forward-looking statements that are contained in this document. We encourage you to read carefully the risk factors described in other documents we file from time to time with the United States Securities and Exchange Commission (the “SEC”).

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

Item 1. BUSINESS

General Background Information

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

- Project Services (including engineering, design, architecture, interiors, planning, environmental, and similar services);
- Process, Scientific, and Systems Consulting Services (including services performed in connection with scientific testing, analysis, and consulting activities, as well as information technology and systems engineering and integration activities);
- Construction Services (encompassing traditional field construction services as well as modular construction activities, direct hire construction, and construction management services); and
- Operations and Maintenance Services (including services performed in connection with operating large, complex facilities on behalf of clients, as well as services involving process plant and facilities maintenance).

We focus our services on clients operating in the following industries and markets:

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

We are headquartered in Pasadena, California, USA, and provide our services through more than 200 offices located around the globe, primarily in North America, South America, Europe, the Middle East, India, Australia, Africa, and Asia.

How We Operate

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

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

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

Our Business Model

Our organizational structure and integrated system for delivering services are key components of our business strategy. Our operating units generally use a matrix organizational structure whereby our project management functions are supported by the various technical planning, design, and construction disciplines that are necessary to effectively execute long-term engineering and construction contracts. We recognize that technical expertise alone cannot grow our business; project management skills and the ability to manage multi-million dollar projects and programs for our clients is critical to our success. Crucial functions, such as project controls and procurement, are embedded within each of our major offices and serve operations by providing specialized services required by projects.

Jacobs' business is set up to foster cooperation among teams. We do not maintain "profit centers" within the company, nor do the operating groups compete against each other for contracts. Our organizational structure and integrated system for delivering services are key components of our business strategy. The following three ideas support our business model:

Multi-Domestic Approach

We work in many countries with locally staffed offices that share a common set of values and a single vision, while maintaining one-on-one contact with individual clients. This multi-domestic approach enables us to provide customized service suited to the locale while still taking advantage of the company's global network.

Boundaryless Approach

Our diversity encompasses our people, geographic reach, expertise, and technical capabilities. On projects around the world, we enhance local expertise with the brightest talent and the best technology available anywhere throughout the company. This seamless, boundaryless approach keeps us flexible and enhances our ability to develop the best possible solutions for our clients, regardless of office or project location.

Cost Management Approach

As the global economy expands and companies providing technical, professional, and construction services are required to compete against each other across geographic boundaries, the company that can provide its clients with cost-efficient solutions to their project needs has the advantage. With a relentless focus on managing costs, we provide savings to clients and deliver superior technical, professional, and construction services safely, efficiently, and within the cost and time parameters our clients require.

Jacobs' corporate functions include Quality and Safety, Finance and Administration, Legal, Compliance, Communications, Global Sales and Marketing, Human Resources, and Information Technology departments that are integral to our success.

The Company's Culture

Our employees are our most important and valuable asset and, therefore, the prevention of job-related injuries is given top priority. It is the policy of the Company to provide and maintain a safe and healthy working environment and to follow operating practices that safeguard all employees and result in a more efficient operation.

BeyondZero®, the name of our program that promotes our culture of caring, moves beyond efforts to have an incident and injury-free safety performance. We implement a true culture of caring where concern for employees' health, safety, and welfare extends outside the office walls, beyond the project site fences and into their homes, cars, and all the places where they interact with family, friends, and fellow employees. It actively involves employees in championing the safety and wellness of themselves and others, encouraging every employee to have the courage to take action and positively influence the intentions and behaviors of those around them, with the belief that the safety and wellness of employees are integrally linked to sound business performance and efficiency in project execution.

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

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

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

- People are our greatest asset;
- We are relationship-based; and
- Growth is an imperative.

The balance inherent in our core values is also evident in our approach to sustainability; which maintains an even balance between the people, the economics, and the environmental aspects of business. Jacobs is driven to continuously improve efficiencies and reduce energy and resources, practices that drive down costs and contribute to a lower impact on the environment. The Company adheres to the following seven sustainability principles:

- Sustainable development is a corporate priority;
- We seek broad, deep, differentiated capabilities and services;
- Sustainable development is integrated into our business;
- Training and education are important;
- Our facilities and operations follow sustainable principles;
- We contribute to the common effort for sustainability; and
- We are open and transparent.

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

With respect to human resources, our goal is to establish an inclusive, diverse workplace that energizes the people who fuel our Company's growth. Although we are a large company with over 66,000 employees in more than 25 countries, our employees are unified in their focus on superior value, safety, and ethical business practices; regardless of the country.

Our work locations around the world are multicultural, and our people are successful at building networks, breaking down boundaries, and embracing diversity. They collaborate and learn new skills from one another. Jacobs' regional

management is committed to nurturing and developing employees so they have rewarding and challenging careers and are engaged in the business. Employees frequently move around the system as they grow their careers and serve clients; so everyone at Jacobs is urged to operate with a boundaryless mindset; connecting across geographies, disciplines, and industries to collaborate on innovative solutions that provide maximum value to clients.

We recognize that an inclusive environment is a healthy one that results in better decisions, better talent, and more creative solutions to offer our clients. We have engaged, committed, and productive people who add value to our project teams. We focus on hiring the best, keeping the best, and continually improving the skills and capabilities of individuals and teams.

How We Grow

Jacobs has grown significantly since its founding in 1947; both through organic growth and through strategic acquisition, an important part of the company's growth strategy. We have successfully acquired and integrated numerous companies over the years that have enhanced our capabilities, geographic reach, and offerings.

In terms of organic growth, our relationship-based business model is central to our sustained growth and profitability. We pursue the development of long-term relationships and alliances with our clients. By working with our clients on their capital programs, we increase our understanding of their overall business needs, as well as the unique technical requirements of their specific projects. This increased understanding enables us, we believe, to provide superior value to our clients. Our approach provides us with opportunities to market all the services our clients are expected to need in the pre-design phase, such as master planning, permitting, or project finance options; in the design phase; and in the construction, post-start-up and commissioning phases of a facility, including operations and maintenance services.

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

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

Closely linked to our relationship-based business model is our multi-domestic geographic strategy. Our core clients can depend on us for assistance with their engineering and construction needs when they move projects around the world. We therefore follow our clients into new geographic regions, which helps us perform meaningful portions of their projects by utilizing local resources rather than exporting the work to other offices.

The Role of Acquisitions in the Development Our Business

When we review acquisition targets, we are conscious of the effect the acquisition may have on our client base. We favor acquisitions that allow us to (i) expand into a new client market; (ii) enhance the range of services we provide existing clients; and/or (iii) access new geographic areas in which our clients either already operate or plan to expand. By expanding into new geographic areas and adding to our existing technical and project management capabilities, we strive to position ourselves as a preferred, single-source provider of technical, professional, and construction services to our major clients. The following is a brief description of some of our recent key acquisitions:

- On August 30, 2013, the Company's South African joint venture, Jacobs Matasis (Proprietary) Limited, acquired Ilitha Projects and Ilitha Staffing. Ilitha Projects provides management and EPCM services to clients in a broad range of market sectors, including oil and gas, refining, chemicals, power, nuclear, marine mining and metals. Ilitha Staffing supplies technical contract staff sourcing and management services with a strong emphasis on integration with the client's culture and business practices.
- Commencing on June 6, 2013, and through the end of fiscal 2013, the Company acquired further ownership interests in Consulting Engineering Services (India) Private Limited ("CES"), an infrastructure and civil engineering company headquartered in Delhi, India. During the year, we acquired an additional 24.6% interest in CES bringing our ownership interest in CES, to 94.6%. CES provides a range of solutions in infrastructure development, planning, engineering, and construction management.

- On May 28, 2013, we acquired Compass Technology Services, Inc. ("Compass"), headquartered in Atlanta, Georgia. Compass is a provider of telecommunications professional and field services in the Southeastern U.S. and enhances the Company's capabilities in wireless telecommunications infrastructure design and construction.
- In August 2012, we acquired a consulting project management business based in Sydney, Australia. The primary purpose of this acquisition was to expand our geographic presence and grow our infrastructure business in Australia.
- In July 2012, we acquired a majority ownership of DM Petroleum Operations Company ("DMP") headquartered in New Orleans, Louisiana. DMP manages and operates the Strategic Petroleum Reserve ("SPR") under contract to the U.S. Department of Energy (the "DoE"). The SPR is the world's largest reserve of emergency crude oil, and DMP has been the SPR management and operating contractor since 1993. DMP builds on our locally-based petroleum operations and maintenance expertise.
- In December 2011, we acquired Unique World Pty Ltd., headquartered in Sydney, Australia. Unique World is an information management and knowledge management consultancy specializing in enabling technologies such as collaboration, business process automation, business intelligence, intranets, and portals. Unique World expands the Company's capabilities in Australia to include such information technology ("IT") services, as well as expanding the client base to which we can offer these services.
- In November 2011, we acquired KlingStubbins, Inc., a 500-person firm headquartered in Philadelphia, Pennsylvania, USA, with offices located throughout the U.S. and China. KlingStubbins provides professional services in the areas of architecture, engineering, interiors, planning, and landscape architecture. The markets served by KlingStubbins include corporate/commercial, governmental, science and technology, higher education, mission critical, and interiors.
- In February 2011, we acquired Aker Solutions' Process and Construction ("P&C") business, a 4,500-person operating unit serving clients in the oil, gas, and refining markets, as well as the mining and minerals, chemicals, energy and environmental industries. The primary purpose for acquiring Aker Solutions' P&C business was to expand significantly our global presence in the mining and metals market; provide a new geographic region with South America; and enhance our regional presence in Australia, Europe, and North America. In a related transaction completed in April 2011, we acquired Aker Projects (Shanghai) Company Limited (Aker Solutions' onshore P&C operations in China). This element of the Aker transactions greatly expanded our presence and capabilities in China. The businesses and operations acquired in this transaction are sometimes referred to herein collectively as the "Aker Entities".
- In December 2010, we acquired Damon S. Williams ("DSWA"), a 50-person professional services firm headquartered in Phoenix, Arizona. Founded in 1987, DSWA specializes in water and wastewater facilities, with expertise in planning, design, construction administration and operations services. The primary purpose for acquiring DSWA was to expand our water and wastewater capabilities to better serve our customers in the western U.S.
- In October 2010, we acquired Sula Systems Ltd ("Sula"), a 70-person professional services firm headquartered in Gloucestershire, England. Founded in 1996, Sula provides systems engineering and technical services on large, complex programs and projects to clients in the United Kingdom defense and aerospace markets. Sula is also involved in a number of major defense programs in areas such as armored vehicles, complex weapons, test and evaluation, submarine nuclear propulsion, and capability and network level systems engineering. Sula also provides services relating to civil airliners and space-based subsystems. The primary purpose for acquiring Sula was to expand the Company's position in the defense and aerospace markets.
- In October 2010, we acquired TechTeam Government Solutions, Inc. ("TechTeam") a 500-person IT solutions company that provides support to U.S. federal, state and local government agencies, including the U.S. Department of Homeland Security, U.S. Army and U.S. Army Corps of Engineers. The firm's core competencies include systems integration, enterprise application integration, ERP implementation support, IT infrastructure support, network operations management, and call center operations. The primary purpose for acquiring TechTeam was to expand the Company's IT, modeling, and simulation services capabilities with the U.S. federal government.

After we complete an acquisition, we generally move very quickly to integrate the newly-acquired operations. We typically assign senior operations personnel to manage the overall integration process with assistance from our sales, accounting, legal, IT, human resources, and risk management departments. Although integrating newly acquired businesses can be very challenging, the assimilation process is critical in order to assure (i) that our global businesses processes and systems are properly deployed throughout the newly-acquired entities and (ii) that we can begin to leverage-off the acquired talents, skills, and expertise to grow our business and help our clients execute their capital programs. Newly-acquired businesses are generally not left as stand-alone entities within the Company's internal reporting system. The businesses we acquire are typically folded in to existing operational organizations within the Company. For additional information regarding certain issues related to our acquisition strategy, please refer to Item 1A— *R isk Factors* below.

Financial Information About Segments

Although we describe our business in this Annual Report on Form 10-K in terms of the various services we provide, the markets in which our clients operate, and the geographic areas in which we operate, we have concluded that our operations may be aggregated into one reportable segment pursuant to those accounting principles generally accepted in the U.S. ("U.S. GAAP"). In making this determination, we considered the various economic characteristics of our operations, including: the nature of the services we provide, the nature of our internal processes for delivering and distributing those services, and the types of customers we have. In addition to the discussion that follows, please refer to Note 14 — *Segment Information* of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

There is a high degree of similarity among the workforces employed across the categories of services we provide. For example, professionals in engineering and design services (i.e., services provided by persons who are degreed, and in certain circumstances licensed, such as engineers, architects, scientists, and economists) exist in all four service categories. In addition, there is a high degree of similarity among a significant component of the workforces we employ to perform construction and operations and maintenance ("O&M") projects. In providing construction and O&M services, we employ a large number of skilled craft labor personnel. These may include welders, pipe fitters, electricians, crane operators, and other personnel who work on very large capital projects (in the case of projects classified within the construction services category) or on smaller capital projects (in the case of maintenance projects classified within the O&M services category).

All of our offices use a matrix organizational structure. Our results, therefore, are dependent on groups representing technical disciplines (e.g., electrical engineering, mechanical engineering, cost engineering, etc.) supporting project management personnel (who maintain the relationship between our clients and us and are ultimately responsible for delivering projects to our clients safely, on time, and on budget). Additionally, all of our operating regions use common tools, policies, and procedures to manage and run their respective units. These include project review meetings, project performance evaluations, and project execution plans.

Each of the Company's operating regions provides most of the services the Company offers generally, and each of our operating regions includes in its customer base many of the same or similar clients as our other regions.

The use of technology throughout our organization is highly uniform. Whether it is computer-aided design and drafting ("CADD") applications used by our engineering and design staff, or modeling programs used by the scientific and consulting staff, or scheduling, estimating, and cost control applications used by home-office personnel in support of our construction and maintenance activities, all of the service categories described above are equally affected by changes in technology as they occur in the economy at large.

Furthermore, the types of information and internal reports used by the Company's chief operating decision maker (the "CODM"), who is also the Company's chief executive officer, and other members of management to monitor performance, evaluate results of operations, allocate resources, and otherwise manage the business support a single reportable segment. Accordingly, based on these similarities, we have concluded that our operations may be aggregated into one reportable segment for purposes of the disclosures included in this Annual Report on Form 10-K.

Services Provided

As described above, the services we provide generally fall into the following four broad categories: Project Services; Process, Scientific, and Systems Consulting services; Construction services; and Operations and Maintenance services.

The following table sets forth our revenues from each of our four service categories for each of the last five fiscal years (in thousands):

	2013	2012	2011	2010	2009
Project Services	\$ 5,977,917	\$ 5,693,419	\$ 5,070,575	\$ 4,224,898	\$ 4,644,043
Process, Scientific, and Systems Consulting	705,694	772,031	815,561	888,405	894,446
Construction	3,825,878	3,145,311	3,060,820	3,722,101	4,763,640
Operations and Maintenance ("O&M")	1,308,887	1,283,017	1,434,708	1,080,113	1,165,247
	<u>\$ 11,818,376</u>	<u>\$ 10,893,778</u>	<u>\$ 10,381,664</u>	<u>\$ 9,915,517</u>	<u>\$ 11,467,376</u>

Project Services

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

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

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

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

Process, Scientific, and Systems Consulting Services

We employ the professional and technical skills and expertise with respect to a broad range of consulting services, including: performing pricing studies, market analyses, and financial projections necessary in determining the feasibility of a project; performing gasoline reformulation modeling; analyzing and evaluating layout and mechanical designs for complex processing plants; analyzing automation and control systems; analyzing, designing, and executing biocontainment strategies; developing and performing process protocols with respect to the U.S. Food and Drug Administration-mandated qualification and validation requirements; and performing geological and metallurgical studies.

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

Construction Services

In addition to the construction management services included under Project Services above, we provide traditional field construction services to private and public sector clients. We also provide our clients with a modular construction option. Our modular construction includes the engineering and construction of a facility in an off-site fabrication and assembly environment, with final completion during the field erection phase. The option provides our clients with an alternative approach to traditional methods of engineering and construction, which can compress and shorten the construction schedule, reduce risk, lower costs, and provide environmental benefits. In the area of environmental remediation and restoration, we also provide environmental remedial construction services for a variety of public and private sector clients.

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

Operations and Maintenance ("O&M") Services

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

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

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

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

The Industries and Markets in Which Our Clients Operate

We market our services to clients where the scope of work required by their capital projects and programs is within our expertise. Within each market, we may offer specialty services unique to the sector, or services which differentiate us from our competitors in the marketplace.

The following table sets forth our revenues from each of the various industry groups and markets in which our clients operate for each of the last five fiscal years (in thousands):

	2013	2012	2011	2010	2009
Chemicals and Polymers	2,391,144	1,704,723	1,461,125	1,203,373	1,210,027
Refining – Downstream	2,337,387	2,379,750	2,256,092	2,876,059	3,850,734
National Government Programs	2,284,533	2,272,611	2,313,240	2,314,548	2,148,688
Infrastructure	1,015,864	1,085,649	1,219,633	938,978	933,519
Oil & Gas – Upstream	915,478	790,546	753,471	559,492	895,284
Buildings	738,404	843,938	893,528	869,248	793,041
Mining & Minerals	712,320	550,134	449,194	26,161	136,851
Pharmaceuticals and Biotechnology	523,490	576,303	404,687	589,795	875,007
Industrial and Other	899,756	690,124	630,694	537,863	624,225
	<u>\$ 11,818,376</u>	<u>\$ 10,893,778</u>	<u>\$ 10,381,664</u>	<u>\$ 9,915,517</u>	<u>\$ 11,467,376</u>

Chemicals and Polymers

Our clients in this sector rely on our extensive knowledge of and experience with feedstock synthesis, chemical synthesis, and polymerization, including advanced polymerization reactors and state-of-the-art, post-reactor processing techniques to help bring new products and new facilities to market quickly and economically. We apply best practices on capital and maintenance work by leveraging resources within our alliances and partnerships. Specialty services we provide to our clients in these industries include project finance structuring consulting, market analysis, facility appraisal, and procurement with global inspection capabilities.

An important capability we offer our clients in the chemicals business is in the area of field services. We have contracts with major chemical producers worldwide to provide construction, on-site maintenance, and turnaround activities. Many of these contracts are evergreen in nature, with relationships extending over many years due to our focus on safety, value, and client satisfaction and lead us to numerous formal alliances.

Refining - Downstream

Our typical refining projects for global clients include new design and construction, revamps or expansions of existing plants, turnarounds, upgrades of individual process units within refineries, and long-term maintenance services. We also provide process assessments, facility appraisals, feasibility studies, technology evaluations, project finance structuring and support, and multi-client subscription services.

Our modular construction capabilities, asset management/maintenance services, and formal client alliances help differentiate us to customers operating in this industry. Using modular construction decreases congestion at the construction site and provides enhanced safety, cost, and project execution benefits in remote locations.

We also include power generation projects within our clients' refining and processing facilities, such as simple and combined cycle power projects, industrial gas turbines, and emergency power generation stations. In addition, we offer support in the procurement and commissioning of equipment.

National Government Programs

We categorize our National Government Programs as generally relating to aerospace and defense programs or environmental programs for government entities.

Aerospace and Defense Programs

We provide an in-depth range of science, engineering, construction and technical support services to the aerospace and defense industry. Long-term clients include the Ministry of Defence in the U.K., NASA, the DoD, the U.S. Special Operations

Command ("USSOCOM"), and the Australian Department of Defence. Specific to NASA is our ability to design, build, operate, and maintain highly complex facilities relating to space systems, including test and evaluation facilities, launch facilities, and support infrastructure.

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

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

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

Environmental Programs

We provide environmental investigation, permitting, restoration, remediation, engineering, and site operations services to a number of European, North American, and Middle Eastern government agencies. Our projects include hazardous and nuclear waste management and site cleanup and closure; the preparation of feasibility studies and environmental investigations; environmental design; and remediation services on several national programs, as well as compliance with various national environmental policies.

Additionally, we support our clients in such areas as pollution prevention assessments; underground storage tank removal; contaminated soil and water remediation, monitoring and systems cleanup; long-term water quality management plans; and air quality planning and permitting. Much of this type of work is in support of large infrastructure projects that are underway in both Europe and in North America.

As a differentiating aspect of our support to our government clients, we provide asset management services in the form of long-term infrastructure operations and maintenance. Asset management also includes building closures that involve deactivation, decommissioning, and demolition of government facilities. This is an integral part of our services for the DoE.

Infrastructure

The strengths we offer our clients in this industry group include expertise in transportation, transit, aviation, water and wastewater, and civil construction projects throughout North America, Europe, India, the Middle East, and Asia. Representative clients include national government departments and agencies in the U.S. and the U.K.; state departments of transportation within the U.S.; other regional and local agencies; and private industry freight transport firms.

Transportation development/rehabilitation is a core competency of our infrastructure business. Typical projects include highways, bridges, transit, tunnels, airports, railroads, intermodal facilities, and maritime or port projects where our interdisciplinary teams work independently or as an extension of the client's staff. Providing alternative financing methods has proven successful in Europe where there is privatization of public infrastructure systems.

In water infrastructure, we help public and private sector clients develop or rehabilitate critical water resource systems. Emerging economies are investing heavily in water and wastewater systems, while governments in North America and Europe are addressing the challenges of drought and aging infrastructure. We also develop water/wastewater conveyance systems and water flood defense projects.

Oil & Gas - Upstream

As international oil companies develop reserves and try to maximize their existing resources, our expertise in a range of production methods, combined with our commitment to safety and strength in project management, helps us deliver a wide range of projects for oil and gas operators.

In the exploration and production market, our projects range from oil recovery through steam injection to gas treating, gas gathering, and gas storage projects including extraction of commercially valuable elements of the gas stream, utilizing new technologies such as Steam-Assisted Gravity Drainage ("SAGD").

Typical projects for our clients in this sector involve the design and construction of projects that recover oil and gas, and include oil thermal recovery facilities either by in-situ means or oil sands mining, upgraders, pipelines, gas plants, and CO₂ flood. These are typically large projects that may involve many of our offices and often include work-share with our Mumbai, India office as a value-added engineering center to reduce project costs.

We also provide substantial maintenance and modification services for aging oil and gas facilities around the world. In connection with the refining market, we also provide process assessments, facility appraisals, feasibility studies, technology evaluations, project finance structuring consulting services, and other support services.

Buildings

We have planned, designed, and constructed buildings for a variety of clients and markets for more than 60 years. We believe our global presence and understanding of contracting and delivery demands keep us in an excellent position to provide professional services worldwide.

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

We have specific capabilities in energy and power, master planning, and commissioning for office headquarters, aviation facilities, mission-critical facilities, municipal and civic buildings, courts and correctional facilities, mixed-use and commercial centers, healthcare and education campuses, and recreation complexes.

Advanced technology clients require highly specialized buildings in the fields of medical research, nano science, biotechnology, and laser sciences. We offer total integrated design and construction management solutions to these projects, many of which are world leaders in their functions.

Our acquisition of design firm KlingStubbins reinforces our commitment to our clients in this industry group, expanding our capabilities to clients in the pharma-bio, data center, government intelligence, corporate headquarters/interiors, and science and technology-based education markets around the globe.

Our government building projects include large, multi-year programs in the U.S. and Europe. U.S. government agencies we serve include the Federal Aviation Administration ("FAA"); the General Services Administration ("GSA"); the Internal Revenue Service ("IRS"); the U.S. Departments of State, Treasury, Agriculture, Homeland Security, and Defense; and the Army National Guard, among others. In the U.K., we are leading the Custodial Services' project management delivery program to upgrade the U.K. prison stock and also certain security-led programs such as upgrading works to the Palace of Westminster and some regional police authorities.

We are providing services to the DoD on military family housing; quality of life projects; training, maintenance, and readiness facilities; and command and control centers, as well as military facilities supporting the DoD's global re-basing program, the 2005 Base Realignment and Closure ("BRAC") program.

Mining and Minerals

Our mining and minerals business targets the non-ferrous and ferrous metal markets, precious metals, energy minerals (uranium, coal, oil sands), and industrial and fertilizer minerals (mineral sands, borates, trona, phosphates and potash). We work with many of the resources companies undertaking new and existing facility upgrades and process plant developments. We offer project management; front-end studies; and full engineering, procurement, construction, and management ("EPCM") capabilities; completions, commissioning and start-up services specializing in new plant construction, brownfield expansions, and sustaining capital and maintenance projects.

For our mining and mineral clients, we provide the industry proprietary sulfuric acid production technology through our Chemetics® product - an important synergistic by-product of the smelting process and a key consumable in mines

employing ore leaching technology. We are also able to deliver value to our mining clients by providing distinctive adjacent capabilities such as infrastructure and major equipment and materials to support their mining operations.

By focusing on mitigating our clients' resource risk, we are able to address challenges of tight labor markets by providing a reliable and familiar labor pool for their ongoing projects. We host local offices in the most active mining geographies (South America, Australia, Canada, India, and South Africa), and can thereby effectively help our clients improve their project delivery and resource availability.

Pharmaceuticals and Biotechnology

We provide our pharmaceuticals and biotechnology clients single-point consulting, engineering, procurement, construction management, and validation ("EPCMV") project delivery, enabling us to execute the industry's largest capital programs on a single-responsibility basis. Typical projects in this sector include laboratories, research and development facilities, pilot plants, bulk active pharmaceutical ingredient production facilities, full-scale biotechnology production facilities, and secondary manufacturing facilities.

As companies in this industry continue to experience pressure to decrease product time-to-market, reduce costs, and increase return on investment, the types of services we provide have grown over the years to include modular construction, as well as consulting and strategic planning to help our clients complete capital projects faster and more efficiently.

Regulatory compliance, state-of-the-art technology, and increased efficiencies are critical issues to our clients in these industries. We have expertise in containment, barrier technology, locally controlled environments, building systems automation, and off-the-site design and fabrication of facility modules; in addition to vaccine production and purification, and aseptic processing.

Industrial and Other

We provide a broad range of services to our clients operating in the power; pulp and paper; high-technology manufacturing; and food, beverage, and consumer products industries and markets.

Power

Global energy demand is expected to grow by nearly 50 percent over the next 25 years, according to the U.S. Energy Information Administration. Significant capital spend in the power business is being driven by plant obsolescence and the need for utilities to comply with regulatory requirements and changes in environmental legislation. Our typical projects include simple and combined cycle power projects, cogeneration power plants, asset lifetime extension projects, and emergency power generation stations. In addition to traditional engineering, we offer services in procurement and commissioning of equipment, as well as construction services for the power market including thermal, biomass, renewables, and nuclear energy facilities.

Pulp and Paper

The pulp and paper industry has been consolidating for many years, and several of our traditional pulp and paper clients have emerged as major consumer product companies. These clients have created new opportunities for us in non-traditional areas, such as wall board plants and facilities that manufacture diapers and feminine care products. Typical projects range from small mill projects to complex, multi-million-dollar paper machine rebuilds, mill expansions, and the construction of new facilities.

Pulp and paper projects encompass many areas of a mill, and our expertise also includes the converting and packaging of paper products for distribution and consumer use. Our pulp and paper capability extends through our offices in the U.S., U.K., France, Spain, Italy, and Mexico to clients worldwide. A significant portion of our work consists of assisting our clients in their compliance with environmental regulations and standards that affect the pulp and paper industry. We monitor all key environmental regulations affecting our clients and offer compliance studies, permitting support, design of pollution control systems, and compliance services regarding air pollutant standards and hazardous air pollutant emission limits from industrial boilers.

High-Technology Manufacturing

We provide our core services for a variety of high tech manufacturing and test facilities, particularly for clients in the automotive and industrial industries. Typical automotive projects range from conceptual design and feasibility studies to complete design-build programs of aero-acoustic wind tunnels, engine test facilities, acoustic enclosures, transmission test stands; powertrain, environmental, emissions, altitude, and electromagnetic compatibility test facilities; in-line and end-of-line

component test stands; and computer-based measurement and control systems. We also serve advanced technology and research facilities, including facilities supporting research in fusion and fission energy, nanoscale materials, and high-powered lasers and X-rays to support important research activities in the U.S., Europe, and the U.K.

In addition, we perform projects for clients operating in the semiconductor industry. Projects in the semiconductor industry are typically more complex than many other commercial facilities, requiring a greater emphasis on cleanroom and similar high-end technologies. Our projects range from on-site plant engineering and tool hookups to multi-million dollar state-of-the-art wafer fabrication and crystal growing facilities used to produce solar energy cells, microprocessors for computers, and other consumer electronic devices.

Food, Beverage, and Consumer Products

As a provider to the food, beverage, and consumer products supply chain, our global presence and capabilities allow us to help our clients with targeted expansion and new investments. Our food processing services include hygienic design, clean-in-place ("CIP") systems, heat transfer systems, material handling of liquids and solids, refrigeration, and compliance with government requirements. From facility design to raw materials processing to converting, packaging, and distribution, our vast depth of expertise helps our clients do just that. Our knowledge of food and beverage processing results in plants that are productive, efficient, and economical.

Backlog

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

Our backlog includes expected revenues for contracts that are based on estimates. For information regarding our backlog including those risk factors specific to backlog, please refer to Item 1A — *Risk Factors*, and Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations*, below.

Significant Customers

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

2013	2012	2011	2010	2009
19.9%	22.1%	24.4%	25.4%	20.3%

It is uncommon for a commercial customer to contribute 10% or more of the Company's total revenues. On occasion, however, we will perform a number of field services projects for a single customer in the same fiscal year which, primarily because of the amount of pass-through costs (discussed below) that is included in revenue, will cause total revenue from that customer to exceed 10% of total consolidated revenues. For the fiscal year ended October 2, 2009 revenues earned from Motiva Enterprises LLC accounted for 12.2% of total consolidated revenues.

Financial Information About Geographic Areas

Selected financial information regarding the geographic areas in which we operate is included in Note 14 — *Segment Information* of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K and is incorporated herein by reference.

Contracts

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

	2013	2012	2011	2010	2009
Cost-reimbursable	85%	85%	84%	87%	86%
Fixed-price	15%	15%	16%	13%	14%

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

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

	2013	2012	2011	2010	2009
\$	2,624.8	\$ 2,328.4	\$ 2,118.5	\$ 2,723.3	\$ 4,017.0

Cost-Reimbursable Contracts

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

Fixed-Price Contracts

Fixed-price contracts include both "lump sum bid" contracts and "negotiated fixed-price" contracts. Under lump sum bid contracts, we typically bid against other contractors based on specifications the client furnishes. This type of pricing presents certain inherent risks, including the possibility of ambiguities in the specifications received, problems with new technologies, and economic and other changes that may occur over the contract period. Additionally, it is not unusual for lump sum bid contracts to lead to an adversarial relationship with clients, which is contrary to our relationship-based business model. Accordingly, lump sum bid contracts are not our preferred form of contract. In contrast, under a negotiated fixed-price contract, we are selected as the contractor first and then we negotiate a price with our client. Negotiated fixed-price contracts frequently exist in single-responsibility arrangements where we perform some portion of the work before negotiating the total price of the project. Thus, although both types of contracts involve a firm price for the client, the lump sum bid contract provides the greater degree of risk to us. However, because of economies that may be realized during the contract term, both negotiated fixed-price and lump sum bid contracts may offer greater profit potential than other types of contracts. Over the past five years, most of our fixed-price work has been either negotiated fixed-price contracts or lump sum bid contracts for project services, rather than turn-key construction.

Competition

For information regarding the competitive conditions in our business, please refer to Item 1A— *Risk Factors* , below.

Employees

At September 27, 2013, we had approximately 49,400 full-time, staff employees (including contract staff). Additionally, as of September 27, 2013, there were approximately 17,100 persons employed in the field on a project basis. The number of field employees varies in relation to the number and size of the maintenance and construction projects in progress at any particular time.

Executive Officers of the Registrant

The information required by Paragraph (a), and Paragraphs (c) through (g) of Item 401 of Regulation S-K (except for information required by Paragraph (e) of that Item to the extent the required information pertains to our executive officers) and Item 405 of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

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

Name	Age	Position with the Company	Year Joined the Registrant
Craig L. Martin	63	President, Chief Executive Officer and Director	1994
Thomas R. Hammond	62	Executive Vice President, Operations	1975
George A. Kunberger, Jr.	61	Executive Vice President, Global Sales	1979
Andrew F. Kremer	56	Executive Vice President, Operations	1998
Gregory J. Landry	65	Executive Vice President, Operations	1984
Joseph G. Mandel	53	Executive Vice President, Operations	2011
John W. Prosser, Jr.	68	Executive Vice President, Finance and Administration and Treasurer	1974
Phillip J. Stassi	58	Executive Vice President, Operations	1977
Cora L. Carmody	56	Senior Vice President, Information Technology	2008
Lori S. Sundberg	49	Senior Vice President, Global Human Resources	2013
Michael R. Tyler	57	Senior Vice President and General Counsel	2013
Nazim G. Thawerbhoy	66	Senior Vice President and Controller	1979

All of the officers listed in the preceding table serve in their respective capacities at the pleasure of the Board of Directors and, with the exception of Ms. Sundberg and Mr. Mandel, have served in executive and senior management capacities with the Company for more than five years.

Ms. Sundberg joined the Company in April 2013. Ms. Sundberg served as the Senior Vice President of Human Resources and Ethics at Arizona Public Services Company, from November 2007 to April 2013. From 1998 to 2007 she served in a number of global HR leadership roles with American Express. Mr. Tyler joined the Company in June 2013. He previously served as Executive Vice President, General Counsel and Secretary of Sanmina Corporation, and Chief Legal and Administrative Officer of Gateway, Inc. Mr. Mandel joined the Company in February 2011 through the acquisition of the Aker Entities. Mr. Mandel served in various senior management roles with Aker Solutions ASA since first joining them in 1995.

Available Information

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

Item 1A. RISK FACTORS

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

Construction and maintenance sites are inherently dangerous workplaces. If we fail to maintain safe work sites, we can be exposed to significant financial losses as well as civil and criminal liabilities.

Construction and maintenance sites often put our employees and others in close proximity with large pieces of mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. On many sites we are responsible for safety and, accordingly, must implement safety procedures. If we fail to implement such procedures or if the procedures we implement are ineffective, our employees and others may become injured. Unsafe work sites also have the potential to increase employee turnover, increase the cost of a project to our clients, and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, and results of operations.

In addition, our projects can involve the handling of hazardous and other highly regulated materials, which, if improperly handled or disposed of, could subject us to civil and criminal liabilities. We are also subject to regulations dealing with occupational health and safety. Although we maintain functional groups whose primary purpose is to ensure we implement effective health, safety, and environmental (“HSE”) work procedures throughout our organization, including construction sites and maintenance sites, the failure to comply with such regulations could subject us to liability.

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

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

Our failure to make judgments and recommendations in accordance with applicable professional standards could result in large damages. Our engineering practice, for example, involves professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and public infrastructure projects. While we do not generally accept liability for consequential damages, and although we have adopted a range of insurance, risk management and risk avoidance programs designed to reduce potential liabilities, a catastrophic event at one of our project sites or completed projects resulting from the services we have performed could result in significant professional or product liability, warranty or other claims against us as well as reputational harm, especially if public safety is impacted. These liabilities could exceed our insurance limits or the fees we generate, or could impact our ability to obtain insurance in the future. In addition, clients or subcontractors who have agreed to indemnify us against any such liabilities or losses might refuse or be unable to pay us. An uninsured claim, either in part or in whole, if successful and of a material magnitude, could have a substantial impact on our operations.

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

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

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

In addition, the nature of our business sometimes results in clients, subcontractors, and vendors presenting claims to us for, among other things, recovery of costs related to certain projects. Similarly, we occasionally present change orders and other claims to our clients, subcontractors, and vendors. If we fail to document properly the nature of our claims and change orders or are otherwise unsuccessful in negotiating reasonable settlements with our clients, subcontractors, and vendors, we could incur cost overruns, reduced profits or, in some cases, a loss for a project. A failure to promptly recover on these types of claims could have a material adverse impact on our liquidity and financial results. Additionally, irrespective of how well we document the nature of our claims and change orders, the cost to prosecute and defend claims and change orders can be significant.

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

We bear the risk of cost overruns in fixed-price contracts. We may experience reduced profits or, in some cases, losses under these contracts if costs increase above our estimates.

For fiscal 2013, approximately 15.0% of our revenues were earned under contracts that were fixed-price in nature. For these contracts, we bear the risk of paying some, if not all, of any cost overruns. Fixed-price contract amounts are established in part on cost and scheduling estimates that are based on a number of assumptions, including those about future economic conditions, prices and availability of labor, equipment and materials, and other exigencies. If these estimates prove inaccurate, there are errors or ambiguities as to contract specifications, or if circumstances change due to, among other things, unanticipated technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather delays, changes in the costs of raw materials, or our vendors' or subcontractors' inability to perform, then cost overruns may occur and we could experience reduced profits or, in some cases, a loss for that project. If the project is significant, or there are one or more issues that impact multiple projects, costs overruns could have a material adverse impact on our business, financial condition, and results of operations.

Our vulnerability to the cyclical nature of the markets in which our clients operate is exacerbated during economic downturns or time of political uncertainty.

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

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

Current economic conditions also make it extremely difficult for our clients, our vendors, and us to accurately forecast and plan future business activities and could cause businesses to continue to slow spending on our services. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery worldwide or in our clients' markets. In addition, our business has traditionally lagged recoveries in the general economy and, therefore, may not

recover as quickly as the economy at large. A continuation or worsening of current weak economic conditions or a reduction in government spending could have a material adverse impact on our business, financial condition, and results of operations.

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

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

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

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

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

The success of our business is dependent upon our ability to hire, retain, and utilize qualified personnel, including engineers, architects, designers, craft personnel, and corporate management professionals who have the required experience and expertise. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded by our clients. In certain geographic areas, for example, we may not be able to satisfy the demand for our services because of our inability to successfully hire and retain qualified personnel.

In addition, as some of our key personnel approach retirement age, we need to have appropriate succession plans in place and to successfully implement such plans. If we cannot attract and retain qualified personnel or effectively implement appropriate succession plans, it could have a material adverse impact on our business, financial condition, and results of operations.

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

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

Contracts with the U.S. federal government and other governments and their agencies, which are a significant source of our revenue and profit, are subject to various uncertainties, restrictions, and regulations including oversight audits by various government authorities as well as cost controls. Government contracts are also exposed to uncertainties associated with funding such as sequestration. Contracts with the U.S. federal government, for example, are subject to the uncertainties of Congressional funding. Governments are typically under no obligation to maintain funding at any specific level, and funds for government programs may even be eliminated.

As a result, our government clients may reduce the scope or terminate our contracts for convenience or decide not to renew our contracts with little or no prior notice. Since government contracts represent a significant percentage of our revenues (for example, those with the U.S. federal government represented approximately 19.9% of our total revenue in fiscal 2013), a significant reduction in government funding or the loss of such contracts could have a material adverse impact on our business, financial condition, and results of operations.

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

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

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

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

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

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

As of the end of fiscal 2013, our backlog totaled approximately \$17.2 billion. There is no assurance that backlog will actually be realized as revenues in the amounts reported or, if realized, will result in profits. In accordance with industry practice, substantially all of our contracts are subject to cancellation, termination, or suspension at the discretion of the client. In addition, the contracts in our backlog are subject to changes in the scope of services to be provided as well as adjustments to the costs relating to the contracts. The revenue for certain contracts included in backlog are based on estimates. Projects can remain in backlog for extended periods of time because of the nature of the project and the timing of the particular services required by the project. The risk of contracts in backlog being cancelled or suspended generally increases during periods of wide-spread economic slowdowns.

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

Negative conditions in the credit and financial markets and delays in receiving client payments could result in liquidity problems.

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

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

In addition, we typically bill our clients for our services in arrears and are, therefore, subject to our clients delaying or failing to pay our invoices. In weak economic environments, we may experience increased delays and failures due to, among other reasons, a diminution in our clients' access to the credit markets. If one or more clients delays in paying or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse impact on our liquidity, financial condition, and results of operations.

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

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

As is common in the industry, we perform certain contracts as a member of joint ventures, partnerships, and similar arrangements. This situation exposes us to a number of risks, including the risk that our partners may be unable to fulfill their obligations to us or our clients. Our partners may also be unable or unwilling to provide the required levels of financial support to the partnerships. If these circumstances occur, we may be required to pay financial penalties or liquidated damages, provide additional services, or make additional investments to ensure adequate performance and delivery of the contracted services. Under agreements with joint and several liabilities, we could be liable for both our obligations and those of our partners. These circumstances could also lead to disputes and litigation with our partners or clients, all of which could have a material adverse impact on our reputation, business, financial condition, and results of operations.

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

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

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

Much of the work performed under our contracts is performed by third-party subcontractors we hire. We also rely on third-party equipment manufacturers or suppliers to provide much of the equipment and materials used for projects. If we are unable to hire qualified subcontractors or find qualified equipment manufacturers or suppliers, our ability to successfully complete a project could be impaired. If we are not able to locate qualified third-party subcontractors or the amount we are required to pay for subcontractors or equipment and supplies exceeds what we have estimated, especially in a lump-sum or a fixed-price contract, we may suffer losses on these contracts. If a subcontractor, supplier, or manufacturer fails to provide services, supplies or equipment as required under a contract for any reason, we may be required to source these services, equipment or supplies to other third parties on a delayed basis or on less favorable terms, which could impact contract profitability. In the current economic environment, third parties may find it difficult to obtain sufficient financing to help fund their operations. The inability to obtain financing could adversely affect a third party's ability to provide materials, equipment or services which could have a material adverse impact on our business, financial condition, and results of operations. In addition, a failure by a third party subcontractor, supplier or manufacturer to comply with applicable laws, regulations or client requirements could negatively impact our business and, for government clients, could result in fines, penalties, suspension or even debarment being imposed on us, which could have a material adverse impact on our business, financial condition, and results of operations.

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

In line with industry practice, we are often required to provide performance or payment bonds to our customers. These bonds indemnify the customer should we fail to perform our obligations under the contract. If a bond is required for a particular project and we are unable to obtain an appropriate bond, we cannot pursue that project.

Historically, we have had adequate bonding and letter of credit capacity but, as is typically the case, the issuance of a bond is at the surety's sole discretion and the issuance of a letter of credit is based on the Company's credit worthiness. Because of an overall lack of worldwide bonding capacity, we may find it difficult to find sureties who will provide required levels of bonding or such bonding may only be available at significant additional cost. There can be no assurance that our bonding capacity will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding and, as a result, to bid on new contracts that require such bonding could have a material adverse impact on our business, financial condition, results of operations, and cash flows.

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

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

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

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

Such laws, regulations and policies are reviewed periodically and any changes could affect us in substantial and unpredictable ways. Such changes could, for example, relax or repeal laws and regulations relating to the environment, which could result in a decline in the demand for our environmental services and, in turn, could negatively impact our revenue. Our failure to comply with such laws or regulations, whether actual or alleged, could expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, any of which could adversely affect our business, financial condition and results of operations.

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

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

We are subject to U.S. federal, state, local and foreign laws and regulations that affect our business. For example, our global operations require importing and exporting goods and technology across international borders. Although we have policies and procedures to comply with U.S. and foreign international trade laws, the violation of such laws could subject the Company and its employees to civil or criminal penalties, including substantial monetary fines, or other adverse actions including denial of import or export privileges, and could damage our reputation and therefore, our ability to do business.

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

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

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

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

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

A few clients have in the past and may in the future account for a significant portion of our revenue and/or backlog in any one year or over a period of several consecutive years. For example, in fiscal 2013, 2012, and fiscal 2011, approximately 19.9%, 22.1%, and 24.4%, respectively, of our revenue was earned directly or indirectly from agencies of the U.S. federal government. Although we have long-standing relationships with many of our significant clients, our clients may unilaterally reduce, delay, or cancel their contracts at any time. Our loss of or a significant reduction in business from a significant client could have a material adverse impact on our business, financial condition, and results of operations.

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

We face intense competition to provide technical, professional, and construction services to clients. The extent of such competition varies by industry, geographic market, and project type. For example, with respect to our construction and operations and maintenance services, clients generally award large projects to large contractors, which may give our larger competitors an advantage when bidding for these projects. Conversely, with respect to our engineering, design, architectural,

and consulting services, low barriers of entry can result in competition with smaller, newer competitors. If we are unable to compete effectively, we may experience a loss of market share or reduced profitability or both, which if significant, could have a material adverse impact on our business, financial condition, and results of operations.

Our larger competitors for engineering, construction, and maintenance services for process plants include Bechtel, Fluor, Foster Wheeler, KBR, Technip, WorleyParsons, CB&I, and AMEC. In the area of buildings, our competitors include several of the competitors previously mentioned as well as HDR, HOK, AECOM, and Turner. In the area of infrastructure, our competitors include several of the competitors previously mentioned as well as URS, Parsons Brinckerhoff, HNTB, Tetra Tech, Parsons, and W.S. Atkins. In the area of national government programs, our principal competitors include several of the competitors listed above as well as Leidos, CH2M Hill, Weston, Lockheed Martin, and Computer Sciences Corporation.

In addition to the risks discussed elsewhere in Risk Factors, our international operations are also exposed to additional risks and uncertainties including unfavorable political developments and weak foreign economies.

For fiscal 2013, approximately 40.8% of our revenues was earned from clients outside the U.S. Our business is dependent on the continued success of our international operations, and we expect our international operations to continue to account for a significant portion of our total revenues. Our international operations are subject to a variety of risks, including:

- Recessions and other economic crises in other regions, such as Europe, or specific foreign economies and the impact on our costs of doing business in those countries;
- Difficulties in staffing and managing foreign operations, including logistical and communication challenges;
- Unexpected changes in foreign government policies and regulatory requirements;
- Lack of developed legal systems to enforce contractual rights;
- Renegotiation or nullification of our existing contracts;
- The adoption of new, and the expansion of existing, trade or other restrictions;
- Embargoes;
- Acts of war, civil unrest, force majeure, and terrorism;
- The ability to finance efficiently our foreign operations;
- Social, political, and economic instability;
- Expropriation of property;
- Tax increases;
- Limitations on the ability to repatriate foreign earnings; and
- U.S. government policies.

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

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

Some of our services are performed in high risk locations, where the country or location is subject to political, social or economic risks, or war or civil unrest. In those locations where we have employees or operations, we may expend significant efforts and incur substantial security costs to maintain the safety of our personnel. Despite these activities, in these locations, we cannot guarantee the safety of our personnel and we may suffer future losses of employees and subcontractors.

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

Our reported financial condition and results of operations are exposed to the effects (both positive and negative) that fluctuating exchange rates have on the process of translating the financial statements of our international operations, which are denominated in currencies other than the U.S. dollar, into the U.S. dollar. While we generally attempt to denominate our contracts in the currencies of our expenditures, we do enter into contracts that expose us to currency risk, particularly to the extent contract revenue is denominated in a currency different than the contract costs. We attempt to minimize our exposure from currency risks by obtaining escalation provisions for projects in inflationary economies or entering into derivative

(hedging) instruments, when there is currency risk exposure that is not naturally mitigated via our contracts. These actions, however, may not always eliminate currency risk exposure. Based on fluctuations in currency, the U.S. dollar value of our backlog may from time to time increase or decrease significantly. We may also be exposed to limitations on our ability to reinvest earnings from operations in one country to fund the financing requirements of our operations in other countries.

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

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

- Assumption of liabilities of an acquired business, including liabilities that were unknown at the time the acquisition was negotiated;
- Valuation methodologies may not accurately capture the value of the acquired business;
- Failure to realize anticipated benefits, such as cost savings and revenue enhancements;
- Difficulties relating to combining previously separate entities into a single, integrated, and efficient business;
- The effects of diverting management's attention from day-to-day operations to matters involving the integration of acquired companies;
- Potentially substantial transaction costs associated with business combinations;
- Potential impairment resulting from the overpayment for an acquisition;
- Difficulties relating to assimilating the personnel, services, and systems of an acquired business and to assimilating marketing and other operational capabilities;
- Increased burdens on our staff and on our administrative, internal control and operating systems, which may hinder our legal and regulatory compliance activities; and
- Difficulties in applying and integrating our system of internal controls to an acquired business.

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

In addition, there is no assurance that we will continue to locate suitable acquisition targets or that we will be able to consummate any such transactions on terms and conditions acceptable to us. Existing cash balances and cash flow from operations, together with borrowing capacity under our credit facilities, may be insufficient to make acquisitions. Credit market conditions may also make it more difficult and costly to finance acquisitions. Acquisitions may also bring us into businesses we have not previously conducted and expose us to additional business risks that are different than those we have traditionally experienced.

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

One method of acquiring companies or otherwise funding our corporate activities is through the issuance of additional equity securities. Accordingly, we filed a shelf registration statement on Form S-4 on December 7, 2007. If we issue additional equity securities pursuant to this shelf registration statement or otherwise, such issuances could have the effect of diluting our earnings per share as well as our existing shareholders' individual ownership percentages in the Company.

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

Our quarterly operating results may fluctuate significantly, which could have a material negative effect on the price of our common stock, because of a number of factors, including:

- Fluctuations in the spending patterns of our government and commercial customers;
- The number and significance of projects executed during a quarter;
- Unanticipated changes in contract performance, particularly with contracts that have funding limits;
- The timing of resolving change orders, requests for equitable adjustments, and other contract adjustments;
- Delays incurred in connection with a project;

- Changes in prices of commodities or other supplies;
- Weather conditions that delay work at project sites;
- The timing of expenses incurred in connection with acquisitions or other corporate initiatives;
- Natural disasters or other crises;
- Staff levels and utilization rates;
- Changes in prices of services offered by our competitors; and
- General economic and political conditions.

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

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

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

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

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

Under U.S. GAAP, we are required to test goodwill carried in our Consolidated Balance Sheets for possible impairment on an annual basis based upon a fair value approach. As of September 27, 2013, we had \$2.0 billion of goodwill, representing 27.8% of our total assets of \$7.3 billion. We have chosen to perform our annual impairment reviews of goodwill at the end of the third quarter of our fiscal year. We also are required to test goodwill for impairment between annual tests if events occur or circumstances change that would more likely than not reduce our enterprise fair value below its book value. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit's market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of our business, potential government actions toward our facilities, and other factors.

If the fair value of our reporting units is less than their carrying value, we could be required to record an impairment charge. The amount of any impairment could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken. For a further discussion of goodwill impairment testing, please see Item 7— *Management's Discussion and Analysis of Financial Condition and Results of Operations* below.

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

We have various employee benefit plan obligations that require us to make contributions to satisfy, over time, our underfunded benefit obligations, which are generally determined by calculating the projected benefit obligations minus the fair value of plan assets. For example, as of September 27, 2013, and September 28, 2012, our defined benefit pension and post-retirement benefit plans were projected to be underfunded by \$402.5 million and \$463.7 million, respectively. See Note 6— *Pension Plans* of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K for additional disclosure. In the future, our benefit plan obligations may increase or decrease depending on changes in the levels of

interest rates, pension plan asset performance and other factors. If we are required to contribute a significant amount of the deficit for underfunded benefit plans, our cash flows could be materially and adversely affected.

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

Rising inflation, interest rates, or construction costs could reduce the demand for our services. In addition, we bear all of the risk of rising inflation with respect to those contracts that are fixed-price. Because a significant portion of our revenues are earned from cost-reimbursable type contracts (approximately 85.0% during fiscal 2013), the effects of inflation on our financial condition and results of operations over the past few years have been generally minor. However, if we expand our business into markets and geographic areas where fixed-price and lump-sum work is more prevalent, inflation may have a larger impact on our results of operations in the future. Therefore, increases in inflation, interest rates or construction costs could have a material adverse impact on our business, financial condition, and results of operations.

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

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

Our effective tax rate may increase or decrease.

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

Systems and information technology interruption could adversely impact our ability to operate.

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

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

Our technology and intellectual property provide us, in many instances, with a competitive advantage. Although we protect our property through patent registrations, license restrictions, and similar mechanisms, we may not be able to successfully preserve our rights and they could be invalidated, circumvented, challenged or become obsolete. In addition, the laws of some foreign countries in which we operate do not protect intellectual property rights to the same extent as the U.S. If we are unable to protect and maintain our intellectual property rights or if there are any successful intellectual property challenges or infringement proceedings against us, our ability to differentiate our service offerings could be reduced. In addition, our clients or other third parties may also provide us with their technology and intellectual property. There is a risk we

may not sufficiently protect our or their information from improper use or dissemination and, as a result, could be subject to claims and litigation and resulting liabilities, loss of contracts or other consequences that could have an adverse impact on our business, financial condition, and results of operations.

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

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

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

We issue reports and opinions to clients based on our professional engineering expertise as well as our other professional credentials that subject us to professional standards, duties and obligations regulating the performance of our services. For example, we issue opinions and reports to government clients in connection with securities offerings. If a client or another third party alleges that our report or opinion is incorrect or it is improperly relied upon and we are held responsible, we could be subject to significant monetary damages.

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

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

- Our Board of Directors is divided into three classes serving staggered three-year terms;
- Only our Board of Directors can fill vacancies on the board;
- There are various restrictions on the ability of a shareholder to nominate a director for election; and
- Our Board of Directors can authorize the issuance of preference shares.

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

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our properties consist primarily of office space within general, commercial office buildings located in major cities primarily in the following countries: United States; Australia; Austria; Belgium; Canada; Chile; China; Finland; France; Germany; Greece; India; Italy; Mexico; Morocco; The Netherlands; Oman; Poland; Puerto Rico; Peru; Republic of Ireland; Saudi Arabia; South Africa; Singapore; Spain; Sweden; United Arab Emirates; and the United Kingdom. Such space is used for operations (providing technical, professional, and other home office services), sales, and administration. Most of our properties are leased. In addition, we own facilities located in Charleston, South Carolina which serve as our principal manufacturing and fabrication site for our modular construction activities. We also have fabrication facilities located in Canada in Pickering, Ontario and Edmonton and Lamont, Alberta. The total amount of space used by us for all of our operations is approximately 8.5 million square feet.

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

Item 3. LEGAL PROCEEDINGS

The information required by this Item 3 is included in Note 11 — *Contractual Guarantees, Litigation, Investigations, and Insurance* of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K and is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURE

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) by the federal Mine Safety and Health Administration. Under the Mine Act, an independent contractor, such as Jacobs, that performs services or construction of a mine is included within the definition of a mining operator. We do not act as the owner of any mines.

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

PART II**Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

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

	Low Sales Price	High Sales Price
Fiscal 2013:		
First quarter	\$ 38.28	\$ 43.56
Second quarter	41.50	56.53
Third quarter	48.86	57.97
Fourth quarter	53.99	62.33
Fiscal 2012:		
First quarter	\$ 30.74	\$ 43.10
Second quarter	40.53	48.17
Third quarter	33.61	45.00
Fourth quarter	36.07	43.90

Shareholders

According to the records of our transfer agent, there were 1,233 shareholders of record as of November 14, 2013.

Dividends

Our policy is to use cash flows from operations to fund future growth, pay down debt, and, subject to market conditions, repurchase common stock under a stock buy-back program approved by our Board of Directors. Accordingly, we have not paid a cash dividend since fiscal 1984. Although our Board of Directors periodically reviews and considers the merits of paying cash dividends and buying back shares of our common stock, we currently have no plans to pay cash dividends or repurchase our common stock in the foreseeable future.

Unregistered Sales of Equity Securities and Use of Proceeds.

On May 28, 2013, we acquired the assets of Compass Technology Services, Inc. ("Compass") for cash and shares of our common stock. In connection with the acquisition, we issued 28,133 shares of our common stock with an aggregate value of approximately \$1.6 million to Compass. No underwriters or placement agents were involved with this acquisition.

The issuance of our common stock in the acquisition was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Rule 506 thereof. The offer and sale of the shares of our common stock: (i) was made as part of a transaction that did not involve more than 35 purchasers, (as defined in Rule 501(e) under the Securities Act) who were either accredited investors or had such knowledge and experience in financial and business matters that such purchaser was capable of evaluating the merits and risks of acquiring shares of our common stock, and (ii) did not involve any general solicitation or general advertising.

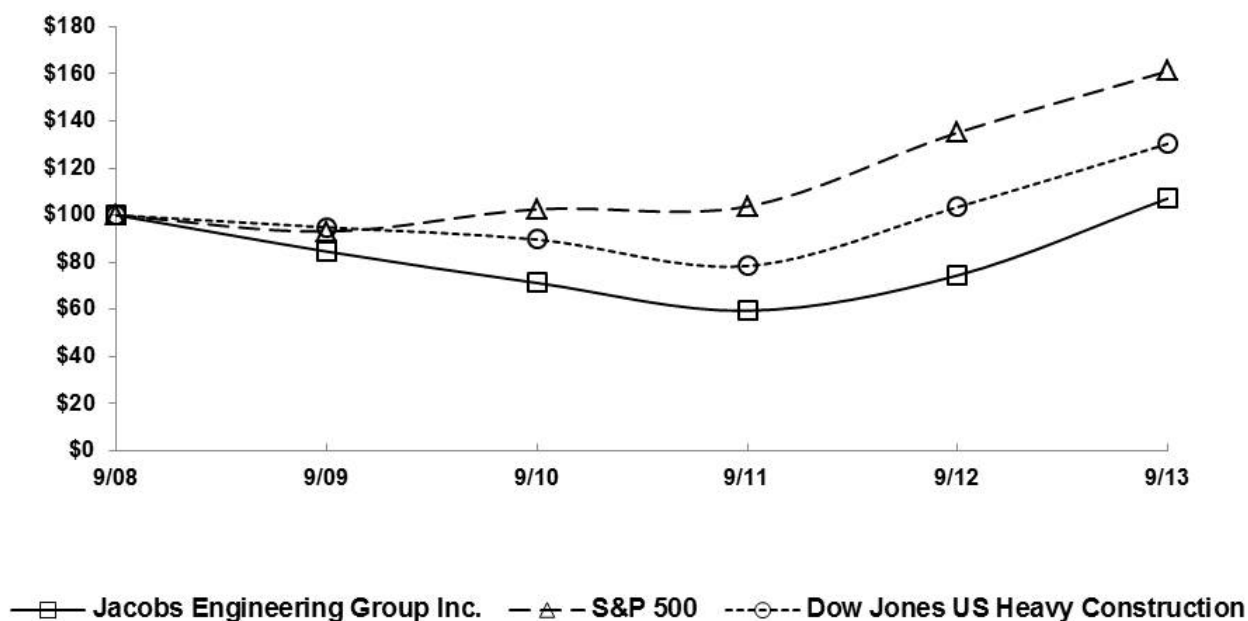
The information required by Item 403 of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Performance Graph

The following graph and table shows the changes over the past five-year period in the value of \$100 invested at the end of fiscal 2008 in (1) the common stock of Jacobs Engineering Group Inc., (2) the Standard & Poor's 500 Index, and (3) the Dow Jones Heavy Construction Group Index. The values of each investment are based on share price appreciation, with reinvestment of all dividends, provided any were paid. The investments are assumed to have occurred at the beginning of the period presented. The stock performance included in this graph is not necessarily indicative of future stock price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Jacobs Engineering Group Inc., the S&P 500 Index,
and the Dow Jones US Heavy Construction Index



*\$100 invested on 9/30/08 in stock or index, including reinvestment of dividends.
Fiscal year ending September 30.

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	2008	2009	2010	2011	2012	2013
Jacobs Engineering Group Inc.	100.00	84.61	71.26	59.45	74.44	107.13
S&P 500	100.00	93.09	102.55	103.72	135.05	161.17
Dow Jones US Heavy Construction	100.00	94.87	89.69	78.46	103.48	130.35

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

Item 6. SELECTED FINANCIAL DATA

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

	2013	2012 (a)	2011	2010 (b)	2009
Results of Operations:					
Revenues	\$ 11,818,376	\$ 10,893,778	\$ 10,381,664	\$ 9,915,517	\$ 11,467,376
Net earnings attributable to Jacobs	423,093	378,954	331,029	245,974	399,854
Financial Position:					
Current ratio	2.14 to 1	2.07 to 1	1.47 to 1	2.23 to 1	2.17 to 1
Working capital	\$ 2,151,939	\$ 1,865,025	\$ 1,011,565	\$ 1,527,589	\$ 1,522,548
Current assets	4,039,558	3,612,077	3,180,091	2,767,042	2,818,449
Total assets	7,274,144	6,839,433	6,199,226	4,683,917	4,428,614
Cash	1,256,405	1,032,457	905,633	938,842	1,033,619
Long-term debt	415,086	528,260	2,042	509	737
Total Jacobs stockholders' equity	4,213,097	3,722,473	3,312,988	2,859,048	2,625,913
Return on average equity	10.66%	10.77%	10.73%	8.97%	16.42%
Backlog:					
Technical professional services	\$ 11,118,400	\$ 10,266,500	\$ 9,100,100	\$ 7,588,900	\$ 8,209,300
Field services	6,099,500	5,643,200	5,189,700	5,613,100	7,010,100
Total	<u>\$ 17,217,900</u>	<u>\$ 15,909,700</u>	<u>\$ 14,289,800</u>	<u>\$ 13,202,000</u>	<u>\$ 15,219,400</u>
Per Share Information:					
Basic earnings per share	\$ 3.27	\$ 2.97	\$ 2.63	\$ 1.98	\$ 3.26
Diluted earnings per share	3.23	2.94	2.60	1.96	3.21
Stockholders' equity	32.00	28.65	25.93	22.71	21.14
Average Number of Shares of Common Stock and Common Stock Equivalents Outstanding (Diluted)					
	130,945	128,692	127,235	125,790	124,534
Common Shares Outstanding at Year End					
	<u>131,639</u>	<u>129,936</u>	<u>127,785</u>	<u>125,909</u>	<u>124,230</u>

- (a) Includes a one-time, after-tax gain of \$4.0 million, or \$0.03 per diluted share, related to the sale of the Company's intellectual property for iron ore pelletizing and certain other related assets.
- (b) Includes non-recurring, after-tax charges totaling \$60.3 million, or \$0.48 per diluted share, relating to the SIVOM judgment (refer to Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Company's 2010 Annual Report on Form 10-K for a description of this matter and its effects on the Company's fiscal 2010 Consolidated Financial Statements, as well as for a reconciliation to the Company's fiscal 2010 consolidated results of operations in accordance with U.S. GAAP).

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

Critical Accounting Policies

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

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

Revenue Accounting for Contracts and Use of Joint Ventures —In general, we recognize revenues at the time we provide services. Depending on the commercial terms of the contract, we recognize revenues either when costs are incurred, or using the percentage-of-completion method of accounting by relating contract costs incurred to date to the total estimated costs at completion. This method of revenue recognition requires us to prepare estimates of costs to complete contracts in progress as of the balance sheet dates. In making such estimates, judgments are required to evaluate the possible effects of variances in schedule; the costs of materials and labor; productivity; and the impact of change orders, liability claims, contract disputes, and achievement of contractual performance standards. Many of our engineering and construction contracts provide for reimbursement of costs plus a fixed or percentage fee. For contracts containing incentive fee arrangements, fees are frequently based on achievement of target completion dates, target costs, and/or other performance criteria. Failure to meet these targets or increases in contract costs can result in unrealized incentive fees or non-recoverable costs, which could exceed revenues recognized from the project.

We provide for contract losses in their entirety in the period they become known, without regard to the percentage of completion. For multiple contracts with a single customer we account for each contract separately.

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

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

As is common to the industry, we execute certain contracts jointly with third parties through various forms of joint ventures and consortiums. Although the joint ventures own and hold the contracts with the clients, the services required by the contracts are typically performed by us and our joint venture partners, or by other subcontractors under subcontracting agreements with the joint ventures. The assets of our joint ventures, therefore, consist almost entirely of cash and receivables (representing amounts due from clients), and the liabilities of our joint ventures consist almost entirely of amounts due to the joint venture partners (for services provided by the partners to the joint ventures under their individual subcontracts) and other subcontractors. In general, at any given time, the equity of our joint ventures represents the undistributed profits earned on contracts the joint ventures hold with clients. Very few of our joint ventures have employees. None of our joint ventures have third-party debt or credit facilities. Our joint ventures, therefore, are simply mechanisms used to deliver engineering and construction services to clients. Rarely do they, in and of themselves, present any risk of loss to us or to our partners separate

from those that we would carry if we were performing the contract on our own. Under U.S. GAAP, our share of losses associated with the contracts held by the joint ventures, if and when they occur, has always been reflected in our Consolidated Financial Statements.

In evaluating the Company's joint ventures (also referred to as "variable interest entities", or "VIEs") for accounting and consolidation purposes, we perform a qualitative analysis to determine whether or not the Company has a "controlling financial interest" in the VIE. The Company is deemed to have a controlling financial interest in a VIE if it has (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and (ii) the right to receive benefits, or obligation to absorb losses, that could potentially be significant to the VIE. In making our qualitative analysis, the Company assesses each VIE to determine those activities that most significantly impact the VIE's economic performance and whether the Company, another entity, or multiple entities have the power to direct those activities.

If we determine that we have the power to direct those activities of the VIE that most significantly impact its financial performance and have the right or obligation to receive benefits or absorb losses that could potentially be significant to the VIE, then we are the primary beneficiary of the VIE and we consolidate the VIE. If we determine that we do not have the power to direct the most significant activities of the VIE or power is shared by two or more unrelated parties, then we are not the primary beneficiary and we do not consolidate the VIE.

For the Company's unconsolidated joint ventures, we use either the equity method of accounting or proportional consolidation. The Company does not currently participate in any significant VIEs in which it has a controlling financial interest. There were no changes in facts and circumstances in the period that caused the Company to reassess the method of accounting for its VIEs.

Accounting for Stock Issued to Employees and Others — We measure the cost of employee services received in exchange for an award of equity instruments based on the estimated grant-date fair value of the award. We estimate the fair value of stock options granted to employees and directors using the Black-Scholes option-pricing model. Like all option-pricing models, the Black-Scholes model requires the use of highly subjective assumptions including (i) the expected volatility of the market price of the underlying stock, and (ii) the expected term of the award, among others. Accordingly, changes in assumptions and any subsequent adjustments to those assumptions can cause drastically different fair values to be assigned to our stock option awards. For restricted stock units containing service and performance conditions with measures external to the Company, compensation expense is based on the fair value of such units determined using Monte Carlo Simulations. Due to the uncertainties inherent in the use of assumptions and the results of applying Monte Carlo Simulations, the amount of expense recorded in the accompanying consolidated financial statements may not be representative of the effects on our future consolidated financial statements because equity awards tend to vest over several years and additional equity awards may be made in the future.

Accounting for Pension Plans — The accounting for pension plans requires the use of assumptions and estimates in order to calculate periodic pension cost and the value of the plans' assets and liabilities. These assumptions include discount rates, investment returns, and projected salary increases, among others. The actuarial assumptions used in determining the funded statuses of the plans are provided in Note 6 – *Pension Plans* of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.

The expected rates of return on plan assets for fiscal 2014 range from 0.4% to 8.5%; compared to 2.4% to 8.5% for the prior year. We believe the range of rates selected for fiscal 2014 reflects the long-term returns expected on the plans' assets, considering recent market conditions, projected rates of inflation, the diversification of the plans' assets, and the expected real rates of market returns. The discount rates used to compute plan liabilities were changed from a range of 0.6% to 8.4% in fiscal 2012 to a range of 0.4% to 9.3% in fiscal 2013. These assumptions represent the Company's best estimate of the rates at which its pension obligations could be effectively settled.

Changes in the actuarial assumptions often have a material effect on the values assigned to plan assets and liabilities, and the associated pension expense. For example, if the discount rate used to value the net pension benefit obligation ("PBO") at September 27, 2013, was higher (lower) by 0.5%, the PBO would have been lower (higher) at that date by approximately \$112.4 million for non-U.S. plans, and by approximately \$20.0 million for U.S. plans. If the expected return on plan assets was higher (lower) by 1.0%, the net periodic pension cost for fiscal 2014 would be lower (higher) by approximately \$9.8 million for non-U.S. plans, and by approximately \$3.7 million for U.S. plans. Differences between actuarial assumptions and actual performance (i.e., actuarial gains and losses) that are not recognized as a component of net periodic pension cost in the period in which such differences arise are recorded to accumulated other comprehensive income (loss) and are recognized as part of net periodic pension cost in future periods in accordance with U.S. GAAP. Management monitors trends in the marketplace within which our pension plans operate in an effort to assure the fairness of the actuarial assumptions used.

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

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

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

Testing Goodwill for Possible Impairment — The goodwill carried on our Consolidated Balance Sheets is tested annually for possible impairment. In performing the annual impairment test, we evaluate our goodwill at the reporting unit level. We have determined that we have two reporting units, which are based on geography. We refer to these reporting units internally as "Europe" and "Non-Europe". Each of our reporting units conducts the business activities described elsewhere in this 2013 Form 10-K, which includes providing professional technical services such as design, engineering, and architectural services; construction and/or construction management services; and operations and maintenance services.

Our geography-based reporting units reflect the Company's organizational structure, which is based predominately on geography, as well as our acquisition strategy, which favors acquisition targets that, among other things, provide access to new geographic areas. Our reporting units represent rational groupings into which substantially all of our major acquisitions (which are responsible for the goodwill appearing in our Consolidated Balance Sheets) have been assimilated, and where all of the operations under each reporting unit share in the benefits of the goodwill created by our acquisitions.

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

For fiscal year 2011, we used a market approach for valuing our reporting units. Under this method, the fair value of our reporting units were estimated by multiplying their respective after-tax earnings for the trailing twelve months by the Company's overall average market earnings multiple.

The key inputs used in the valuation model were the after-tax earnings of our reporting units and the Company's market-driven average earnings multiple. The multiple used for fiscal 2011 was approximately 18.

For fiscal years 2012 and 2013, we used both an income approach and a market approach to test our goodwill for possible impairment. Such approaches require us to make estimates and judgments. Under the income approach, fair value is determined by using the discounted cash flows of our reporting units. Under the market approach, the fair value of our reporting units is determined by reference to guideline companies that are reasonably comparable to our reporting units; the fair values are estimated based on the valuation multiples of the invested capital associated with the guideline companies. In assessing whether there is an indication that the carrying value of goodwill has been impaired, we utilize the results of both valuation techniques and consider the range of fair values indicated. The fair values for each reporting unit exceeded the respective book values by over 60%. The key assumptions used to determine the fair value of our reporting units in our testing were:

Income Approach

2012 Assumptions:

- Company financial projections for fiscal years 2012 to 2015
- Weighted average cost of capital of 12%
- Residual period growth rate of 3%

2013 Assumptions:

- Company financial projections for fiscal years 2013 to 2016
- Weighted average cost of capital of 11%
- Residual period growth rate of 3%

Market Approach

With respect to the market approach, for guideline publicly traded companies reasonably comparable to the Company's reporting units, the Company used multiples ranging from 6.2 to 8.0 of EBITDA and 7.3 to 9.6 of EBIT, for the fiscal year 2012 test applied to the trailing twelve months results of operations for each of our reporting units. The Company used multiples ranging from 6.3 to 8.0 of EBITDA and 8.0 to 9.7 of EBIT, for the fiscal year 2013 test applied to the projected fiscal year 2013 financial results for each of our reporting units.

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

The Company performs the annual goodwill impairment test for the reporting units at the end of the third quarter of our fiscal year. The Company will test goodwill for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We have determined that the fair value of our reporting units substantially exceeded their respective carrying values for fiscal years 2013, 2012, and 2011.

Based on the most recent results of our annual impairment tests, there were no indications of impairment of the goodwill shown in our Consolidated Balance Sheets at either September 27, 2013, or September 28, 2012. Furthermore, the Company performed an interim impairment assessment at September 27, 2013, and concluded that it was not more likely than not that the fair value of either reporting unit had been reduced to an amount below its carrying amount.

Fiscal 2013 — Overview

The Company's net earnings increased \$44.1 million , or 11.6% , from \$379.0 million for fiscal 2012 to \$423.1 million for fiscal 2013 . The Company's growth in earnings this year was primarily facilitated by a strong performance in the Chemicals and Polymers industry. Included in earnings in the Company's fiscal 2012 was a one-time, after-tax gain of \$4.0 million, or \$0.03 per diluted share, related to the sale of the Company's intellectual property for iron ore pelletizing and other related assets ("pelletizing gain").

Backlog at September 27, 2013 , increased \$1.3 billion , or 8.2% , to \$17.2 billion . During the year the Company had significant sales from clients operating in the Oil & Gas-Upstream, Chemicals and Polymers, Refining- Downstream, Infrastructure, Aerospace and Defense, and Buildings industry groups and markets.

Results of Operations

General

Our business focuses exclusively on providing technical professional services and field services to a large number of industrial, commercial, and governmental clients around the world. The services we provide generally fall into four broad categories:

- Project Services (including engineering, design, architecture, interiors, planning, environmental, and similar services);
- Process, Scientific, and Systems Consulting Services (including services performed in connection with scientific testing, analysis, and consulting activities, as well as information technology and systems engineering and integration activities);
- Construction Services (encompassing traditional field construction services as well as modular construction activities, direct hire construction, and construction management services); and
- Operations and Maintenance Services (including services performed in connection with operating large, complex facilities on behalf of clients, as well as services involving process plant and facilities maintenance).

The scope of services we can provide our clients, therefore, ranges from consulting and conceptual design services (which are often required by clients in the very early stages of a project) to complete single-responsibility, design-build contracts, to services required in the post start-up phases of a project such as operations and maintenance services.

The following table sets forth our revenues by type of service for each of the last three fiscal years (in thousands):

	2013	2012	2011
Technical Professional Services revenues:			
Project Services	\$ 5,977,917	\$ 5,693,419	\$ 5,070,575
Process, Scientific, and Systems Consulting	705,694	772,031	815,561
Total Technical Professional Services revenues	6,683,611	6,465,450	5,886,136
Field Services revenues:			
Construction	3,825,878	3,145,311	3,060,820
Operations and Maintenance ("O&M")	1,308,887	1,283,017	1,434,708
Total Field Services revenues	5,134,765	4,428,328	4,495,528
	<u>\$ 11,818,376</u>	<u>\$ 10,893,778</u>	<u>\$ 10,381,664</u>

Project Services revenues for the year ended September 27, 2013, increased \$284.5 million, or 5.0%, from the corresponding period last year. These increases in Project Services revenues occurred principally in our North American and U.K. operations primarily in support of our clients in the Chemicals and Polymers and Refining - Downstream markets.

Process, Scientific, and Systems Consulting revenues for the year ended September 27, 2013, decreased \$66.3 million, or 8.6%, from the corresponding period last year. The revenues in this service type primarily relate to science, engineering and technical support services provided to our U.S. Government clients. These decreases can be attributed primarily to the winding down of one project for the U.S. federal government.

Construction revenues for the year ended September 27, 2013, increased \$680.6 million, or 21.6%, from the corresponding period last year. The Company continues to experience increased activity in the Oil & Gas-Upstream market, particularly in Canada, in the Chemicals and Polymers market in the U.S. and the U.K., and in the Mining and Minerals market in the U.S..

Our Operations and Maintenance revenues for the year ended September 27, 2013, were relatively unchanged, although the mix of work changed. Operations and Maintenance revenues in our National Government Programs increased \$144.6 million

for the year ended September 27, 2013 from the corresponding period last year, primarily as a result of an increase in our ownership of the business that manages and operates the Strategic Petroleum Reserve for the U.S. Department of Energy. That increase was offset by a \$190.1 million decrease in our revenues related to our Canadian operations for the year ended September 27, 2013 from the corresponding period last year. Nevertheless we expect to see increases in our maintenance activity in our Canadian operations in the near term.

We focus our services on clients operating in select industry groups and markets. We believe these industry groups and markets have sufficient common needs to permit cross-utilization of our resources. The following table sets forth our revenues by these industry groups and markets for each of the last three fiscal years (in thousands):

	2013	2012	2011
Chemicals and Polymers	2,391,144	1,704,723	1,461,125
Refining – Downstream	2,337,387	2,379,750	2,256,092
National Government Programs	2,284,533	2,272,611	2,313,240
Infrastructure	1,015,864	1,085,649	1,219,633
Oil & Gas – Upstream	915,478	790,546	753,471
Buildings	738,404	843,938	893,528
Mining & Minerals	712,320	550,134	449,194
Pharmaceuticals and Biotechnology	523,490	576,303	404,687
Industrial and Other	899,756	690,124	630,694
	<u>\$ 11,818,376</u>	<u>\$ 10,893,778</u>	<u>\$ 10,381,664</u>

We recorded net earnings of \$423.1 million , or \$3.23 per diluted share for the fiscal year ended September 27, 2013 , compared to \$379.0 million , or \$2.94 per diluted share (\$375 million, or \$2.91 per diluted share excluding the pelletizing gain), for the fiscal year ended September 28, 2012 .

Revenues increased \$924.6 million , or 8.5% , from \$10.9 billion for fiscal 2012 to \$11.8 billion for fiscal 2013 .

Revenues from clients operating in the Chemicals and Polymers industries increased \$686.4 million, or 40.3%, from \$1.7 billion for fiscal 2012 to \$2.4 billion for fiscal 2013. The effect of shale gas projects and the low price of natural gas continue to influence activity in the chemicals market. Because there is now a large source of feedstock available outside refineries which can grow independently of the refining infrastructure, we believe more projects are now economically viable and capital is being deployed to develop these opportunities. Furthermore, our clients are looking at various options to monetize natural gas. This increased activity is primarily in the U.S. and the U.K. along with smaller increases in the Middle East and Asia.

Revenues from clients operating in the Refining—Downstream market decreased \$42.4 million, or 1.8%, from \$2.38 billion for fiscal 2012 to \$2.34 billion for fiscal 2013. Included in revenues for fiscal 2012 were a significant amount of pass-through costs for a large U.S. based project that was winding down during fiscal 2012. Notwithstanding these decreases, we had strong sales in this market during fiscal 2013 and believe it will continue to be a strong market during fiscal 2014. Looking forward, several downstream companies have announced large capital projects and the industry is beginning to focus on compliance with the EPA TIER 3 Ultra Low Sulfur Gasoline regulations where we believe we are well positioned to support our clients with the required facility modifications.

National Government Programs revenues for fiscal 2013 remained relatively flat compared to fiscal 2012. Uncertainties over U.S. government budget issues and ongoing sequestration concerns remained a primary driver limiting our growth in this market. These actions had little effect on the Company's projects in backlog in this market during fiscal 2013. We believe that sequestration is slowing the release of new project opportunities in this market. Nevertheless, we had significant Aerospace and Defense awards in this market during fiscal 2013. In addition, certain recent changes in government contracting in the U.S. have helped to stabilize this area of our business and may continue to help stabilize it in the future. We have seen an increasing volume of work released by U.S. government agencies in the form of multiple award task order contracts ("MATOC"). These types of awards allow the Company to bid on, and participate in, more government sites than large, single-award contracts. We believe our cost profile makes us very competitive for MATOC-type awards.

Revenues from clients operating in the Infrastructure market decreased \$69.8 million, or 6.4%, from \$1.09 billion for fiscal 2012 to \$1.02 billion for fiscal 2013. We believe the U.S. market should benefit from several recent bond passages and we are leveraging our capabilities in the U.S. and India into markets in the Middle East and Australia. The U.K. market

should improve as the government has taken further action to increase the level of infrastructure spending. We had significant wins in the U.S. market in fiscal 2013. The partial U.S. federal government shutdown has added some uncertainty to our U.S. infrastructure market, though we are experiencing little short-term disruption.

Revenues from clients operating in the Oil and Gas—Upstream market increased \$124.9 million, or 15.8%, from \$790.5 million for fiscal 2012 to \$915.5 million for fiscal 2013. These increases were primarily a result of improvement in the Canadian oil and gas business, particularly in field services. The Company expects field services activity in the Canadian market to remain strong as we move into fiscal 2014 as projections continue to show a strong oil price forecast. We continue to see more opportunities in the Middle East, including unconventional gas development programs and large pipeline Front End Engineering and Design ("FEED") projects. The market in Europe looks positive with a number of opportunities for Engineering, Procurement and Construction Management ("EPCM") projects, FEED's for onshore terminal modifications, and long-term site-based alliances. Onshore development and production in the U.S. continues to be strong. The Australian market is being driven by the development of liquefied natural gas export projects.

Revenues from clients operating in the Buildings market decreased \$105.5 million, or 12.5%, from \$844.0 million for fiscal 2012 to \$738.4 million for fiscal 2013. The current state of the U.S. economy is impacting this market and we view this market as being flat in fiscal 2014. We see momentum building in healthcare, K-12, higher education, federal civilian, state and local, and aviation that should see this market growing in fiscal 2015. Our Buildings business continues to shift towards projects for clients in the private sector. Opportunities in the private sector business are coming from mission critical, education, healthcare, aviation, and corporate and commercial programs and projects.

Revenues from clients operating in the Mining and Minerals market increased \$162.2 million, or 29.5%, from \$550.1 million for fiscal 2012 to \$712.3 million for fiscal 2013. Generally, our clients in this market have been affected negatively by a general slowdown in the rate of growth in the Chinese economy; falling spot prices for iron ore, coking, and thermal coal; and weaker commodity prices - albeit these declines have occurred from prices that were generally high from a historical perspective. These trends have resulted in clients reducing their capital spending in the Mining and Minerals market. Despite this cooling market, we were able to capture additional market share during fiscal 2013. The increase in revenues in this market in fiscal 2013 as compared to fiscal 2012 was primarily from projects based out of the U.S. As we move into fiscal 2014 the Company is focusing on small-cap projects and maintenance-driven work for our clients in this market. The potential for legislative changes during fiscal 2014 in Australia could have a positive influence in this market as early as the later part of fiscal 2014.

Revenues from clients operating in the Pharmaceutical and Biotechnology markets decreased \$52.8 million, or 9.2%, from \$576.3 million for fiscal 2012 to \$523.5 million for fiscal 2013. Though several of our customers have delayed projects, we view this market as steady, with potential growth prospects in the areas of biotechnology-based drug development in Europe and North America and secondary manufacturing expansion in Asia, the U.K., and South America. As we move into fiscal 2014 we view this market as steady to slightly up in the U.S., U.K., Ireland, and Mainland Europe. We continue to view China as a strong market with the government emphasizing improvement in the nation's healthcare system.

Industrial and Other includes the Pulp & Paper, High-Technology Manufacturing, Power, and Food, Beverage & Consumer Products industry groups and markets. Revenues from clients operating in the Industrial and Other markets increased \$209.6 million, or 30.4%, from \$690.1 million for fiscal 2012 to \$899.8 million for fiscal 2013. The increases in Industrial and Other revenues were due primarily to increased activity in the Pulp & Paper market in the U.S. and the High-Technology Manufacturing market in Ireland.

Direct costs of contracts increased \$809.3 million, or 8.8%, from \$9.17 billion during fiscal 2012 to \$9.98 billion during fiscal 2013. Direct costs of contracts include all costs incurred in connection with and directly for the benefit of client contracts, including depreciation and amortization relating to assets used in connection with providing the services required by client projects. The level of direct costs of contracts may fluctuate between reporting periods due to a variety of factors including the amount of pass-through costs we incur during a period. On those projects where we are responsible for subcontract labor or third-party materials and equipment, we reflect the amounts of such items in both revenues and costs (and we refer to such costs as "pass-through costs"). On other projects, where the client elects to pay for such items directly and we have no associated responsibility for such items, these amounts are not considered pass-through costs and are, therefore, not reflected in either revenues or costs. To the extent that we incur a significant amount of pass-through costs in a period, our direct cost of contracts are likely to increase as well.

Pass-through costs increased \$296.4 million, or 12.7%, from \$2.33 billion during fiscal 2012 to \$2.62 billion for fiscal 2013. In general, pass-through costs are more significant on projects that have a higher content of field services activities. Pass-through costs are generally incurred at a specific point in the lifecycle of a project and are highly dependent on the needs

of our individual clients and the nature of the clients' projects. However, because we have hundreds of projects which start at various times within a fiscal year, the effect of pass-through costs on the level of direct costs of contracts can vary between fiscal years without there being a fundamental or significant change to the underlying business.

As a percentage of revenues, direct costs of contracts were 84.4% for fiscal 2013, compared to 84.1% for fiscal 2012. The relationship between direct costs of contracts and revenues will fluctuate between reporting periods depending on a variety of factors including the mix of business during the reporting periods being compared as well as the level of margins earned from the various types of services provided. Generally speaking, the more procurement we do on behalf of our clients (i.e., where we purchase equipment and materials for use on projects, and/or procure subcontracts in connection with projects) and the more field services revenues we have relative to technical, professional services revenues, the higher the ratio will be of direct costs of contracts to revenues. Because revenues from pass-through costs typically have lower margin rates associated with them, it is not unusual for us to experience an increase or decrease in such revenues without experiencing a corresponding increase or decrease in our gross margins and operating profit. The increase in the ratio of direct costs of contracts to revenues in fiscal 2013 as compared to last year was due primarily to a slight decrease in margins for our professional services offset by improved margins for our field services.

Selling, general, and administrative ("SG&A") expenses for fiscal 2013 increased by \$42.4 million, or 3.8%, to \$1.17 billion, compared to \$1.13 billion for fiscal 2012. The increase in SG&A is primarily reflective of the Company's increased business activity when compared to the corresponding periods last year. As a percentage of revenues, SG&A costs have declined for fiscal 2013 as compared to the corresponding period last year.

Interest expense for fiscal 2013 increased \$1.2 million to \$12.9 million from \$11.7 million in fiscal 2012. Interest expense in both fiscal 2013 and fiscal 2012 was due primarily to the debt incurred in connection with the acquisition of the Aker Entities. The increase in interest expense in fiscal 2013 when compared to fiscal 2012 is related primarily to the accrual of interest related to a potential tax liability from an acquisition completed in fiscal 2012.

The Company's consolidated effective income tax rate was 33.5% for fiscal 2013, compared to 34.1% in fiscal 2012. The Company's lower effective income tax rate in fiscal 2013 when compared to the corresponding period last year was due primarily to an increase in income attributable to noncontrolling interests. In the normal course of our business, we may engage in numerous transactions for which the ultimate tax outcome (including the period in which the transaction will ultimately be included in income or deducted as an expense) is uncertain. Additionally, we file income, franchise, gross receipts and similar tax returns in many jurisdictions. Our tax returns are subject to audit and investigation by the Internal Revenue Service, most states in the U.S., and by various government agencies representing many jurisdictions outside the U.S. We continually monitor the appropriateness of the rate, and we adjust our income tax expense in the period it is probable that actual results will change.

Fiscal 2012 Compared to Fiscal 2011

We recorded net earnings of \$379 million, or \$2.94 per diluted share (\$375 million, or \$2.91 per diluted share excluding the pelletizing gain), for the fiscal year ended September 28, 2012, compared to \$331.0 million, or \$2.60 per diluted share, for the fiscal year ended September 30, 2011.

Revenues increased \$512.1 million, or 4.9%, from \$10.38 billion for fiscal 2011 to \$10.89 billion for fiscal 2012.

Revenues from clients operating in the Chemicals and Polymers industries increased \$243.6 million, or 16.7%, from \$1.5 billion for fiscal 2011 to \$1.7 billion for fiscal 2012. The effect of shale gas projects and the low price of natural gas had an impact on the chemicals market in fiscal 2012.

Revenues from clients operating in the Pharmaceutical and Biotechnology markets increased \$171.6 million, or 42.4%, from \$404.7 million for fiscal 2011 to \$576.3 million for fiscal 2012. This increase was due primarily to a number of new and continuing projects, including projects relating to vaccine production facilities.

Revenues from clients operating in the Refining—Downstream market increased \$123.7 million, or 5.5%, from \$2.26 billion for fiscal 2011 to \$2.38 billion for fiscal 2012. The increase was due primarily to higher business volume principally within the Company's operations in the U.S. and Canada.

Revenues from clients operating in the Mining and Minerals market increased \$100.9 million, or 22.5%, from \$449.2 million for fiscal 2011 to \$550.1 million for fiscal 2012. This increase was due primarily to the inclusion of the revenues of the Aker Entities for all of fiscal 2012, versus only a portion of fiscal 2011. The "Aker Entities" refer to certain businesses that were acquired in separate transactions that were completed in February and April 2011, and which are described

in more detail in Note 3— *Business Combinations* of Notes to Consolidated Financial Statements beginning on page F-1 of the Company's 2012 Annual Report on Form 10-K.

Revenues from clients operating in the Oil and Gas—Upstream market increased \$37.1 million, or 4.9%, from \$753.5 million for fiscal 2011 to \$790.5 million for fiscal 2012. The increase is related primarily to higher business volume in the Company's Canadian Operations.

National Government Programs revenues for fiscal 2012 were relatively flat compared to fiscal 2011. We believe that uncertainties associated with sequestration (i.e., that mechanism within the Budget Control Act of 2011 that can trigger automatic U.S. government spending cuts in the event the U.S. Congress and the President fail to agree on a budget by the end of calendar 2012) caused several agencies to slow the release of work in 2012. Nevertheless, certain recent changes in government contracting in the U.S. have helped to stabilize this area of our business and may continue to help stabilize it in the future. We have seen an increasing volume of work released by U.S. government agencies in the form of multiple award task order contracts ("MATOC"). These types of awards allow the Company to bid on, and participate in, more government sites than large, single-award contracts. We believe our cost profile makes us very competitive for MATOC-type awards.

Revenues from clients operating in the Buildings market decreased \$49.6 million, or 5.5%, from \$893.5 million for fiscal 2011 to \$844.0 million for fiscal 2012. During the year we saw shifts in this industry group towards projects for clients in the private sector; which was driven by a continuing decline in government spending. Growth in the private sector business came from mission critical, education, healthcare, aviation, and corporate and commercial programs and projects.

Direct costs of contracts increased \$344.6 million, or 3.9%, from \$8.82 billion during fiscal 2011 to \$9.17 billion during fiscal 2012. Direct costs of contracts include all costs incurred in connection with and directly for the benefit of client contracts, including depreciation and amortization relating to assets used in connection with providing the services required by client projects. The level of direct costs of contracts may fluctuate between reporting periods due to a variety of factors including the amount of pass-through costs we incur during a period. On those projects where we are responsible for subcontract labor or third-party materials and equipment, we reflect the amounts of such items in both revenues and costs (and we refer to such costs as "pass-through costs"). On other projects, where the client elects to pay for such items directly and we have no associated responsibility for such items, these amounts are not considered pass-through costs and are, therefore, not reflected in either revenues or costs. To the extent that we incur a significant amount of pass-through costs in a period, our direct cost of contracts are likely to increase as well.

Pass-through costs increased \$209.9 million, or 9.9%, from \$2.12 billion during fiscal 2011 to \$2.33 billion for fiscal 2012. In general, pass-through costs are more significant on projects that have a higher content of field services activities. Field services revenues however, decreased \$67.2 million, or 1.5%, from \$4.50 billion during fiscal 2011 to \$4.43 billion during fiscal 2012. Pass-through costs are generally incurred at a specific point in the lifecycle of a project and are highly dependent on the needs of our individual clients and the nature of the clients' projects. However, because we have hundreds of projects which start at various times within a fiscal year, the effect of pass-through costs on the level of direct costs of contracts can vary between fiscal years without there being a fundamental or significant change to the underlying business.

As a percentage of revenues, direct costs of contracts were 84.1% for fiscal 2012, compared to 85.0% for fiscal 2011. The relationship between direct costs of contracts and revenues will fluctuate between reporting periods depending on a variety of factors including the mix of business during the reporting periods being compared as well as the level of margins earned from the various types of services provided. Generally speaking, the more procurement we do on behalf of our clients (i.e., where we purchase equipment and materials for use on projects, and/or procure subcontracts in connection with projects) and the more field services revenues we have relative to technical, professional services revenues, the higher the ratio will be of direct costs of contracts to revenues. Because revenues from pass-through costs typically have lower margin rates associated with them, it is not unusual for us to experience an increase or decrease in such revenues without experiencing a corresponding increase or decrease in our gross margins and operating profit. The decrease in the ratio of direct costs of contracts to revenues in fiscal 2012 as compared to fiscal 2011 was due primarily to improved margins for our project services (margins relating to our field services were virtually unchanged).

Selling, general, and administrative ("SG&A") expenses for fiscal 2012 increased by \$90.3 million, or 8.7%, to \$1.13 billion, compared to \$1.04 billion for fiscal 2011. These increases were due primarily to the SG&A expenses attributable to acquired businesses.

Operating profit was \$596.1 million for the fiscal year ended September 28, 2012, compared to \$518.9 million, for the fiscal year ended September 30, 2011. As a percentage of revenues, operating profit was 5.5% for fiscal 2012, compared to 5.0% in fiscal 2011. Improved margins for our Project Services contributed to this increase.

Interest income during fiscal 2012 increased \$1.1 million as compared to the prior year. Contributing to this increase was higher average cash balances on deposit in fiscal 2012 as compared to fiscal 2011.

Interest expense for fiscal 2012 increased \$2.9 million, as compared to fiscal 2011. Interest expense in both fiscal 2011 and fiscal 2012 was due primarily to the debt incurred in connection with the acquisition of the Aker Entities. The increase is due primarily to the inclusion of interest expense associated with acquisition indebtedness for all of fiscal 2012, versus only a portion of fiscal 2011.

The Company's consolidated effective income tax rate was 34.1% for fiscal 2012, compared to 35.1% in fiscal 2011. In general, the lower effective tax rate in fiscal 2012 as compared to fiscal 2011 was due to the changing geographical source of our earnings combined with an increase in the utilization of U.S. foreign tax credits.

Contractual Obligations

The following table sets forth certain information about our contractual obligations as of September 27, 2013 (in thousands):

	Total	Payments Due by Fiscal Period			
		1 Year or Less	2 - 3 Years	4 - 5 Years	More than 5 Years
Debt obligations	\$ 437,868	\$ 22,782		\$ 415,086	
Operating leases (a)	919,695	150,448	296,477	183,826	288,944
Obligations under defined benefit pension plans (b)	416,707	66,061	140,155	151,592	58,899
Obligations under nonqualified deferred compensation plans (c)	120,440	8,600	18,246	19,735	73,859
Purchase obligations (d)	1,247,714	1,247,714			
Interest (e)	17,847	6,842	8,804	2,201	
Total	<u>\$ 3,160,271</u>	<u>\$ 1,502,447</u>	<u>\$ 463,682</u>	<u>\$ 772,440</u>	<u>\$ 421,702</u>

- (a) Assumes the Company will make the end of lease term residual value guarantee payment of \$38.8 million in 2015 with respect to the lease of an office building in Houston, Texas. Please refer to Note 10— *Commitments and Contingencies, and Derivative Financial Instruments* of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K.
- (b) Assumes that future contributions will be consistent with amounts projected to be contributed in fiscal 2014, allowing for certain growth based on rates of inflation and salary increases, but limited to the amount recorded as of September 27, 2013. Actual contributions will depend on a variety of factors, including amounts required by local laws and regulations, and other funding requirements.
- (c) Assumes that future payments will be consistent with amounts paid in fiscal 2013, allowing for certain growth. Due to the nonqualified nature of the plans, and the fact that benefits are based in part on years of service, the payments included in the schedule were limited to the amount recorded as of September 27, 2013.
- (d) Represents those liabilities estimated to be under firm contractual commitments as of September 27, 2013; primarily accounts payable and accrued payroll.
- (e) Determined based on borrowings outstanding at the end of fiscal 2013 using the interest rates in effect at that time and, for our outstanding long term debt, concluding with the expiration date of the 2012 Facility, as defined below.

Backlog

Backlog represents the total dollar amount of revenues we expect to record in the future as a result of performing work under contracts that have been awarded to us. With respect to O&M contracts, however, we include in backlog the amount of revenues we expect to receive for only one succeeding year, regardless of the remaining life of the contract. For national government programs (other than U.S. federal O&M contracts), our policy is to include in backlog the full contract award, whether funded or unfunded, excluding option periods.

The following table summarizes our backlog for each of the last three fiscal years (in millions):

	2013	2012	2011
Technical professional services	\$ 11,118.4	\$ 10,266.5	\$ 9,100.1
Field services	6,099.5	5,643.2	5,189.7
Total	\$ 17,217.9	\$ 15,909.7	\$ 14,289.8

The entire value of contract awards are added to backlog when the contracts are awarded to us. Accordingly, backlog can fluctuate from one reporting period to the next due to the timing of when new contracts are added to backlog and when the contract revenue is recognized in our consolidated financial statements. Many of our contracts require us to provide services that span over a number of fiscal quarters (and sometimes over fiscal years). Our backlog at September 27, 2013 increased by \$1.3 billion, or 8.2%, to \$17.2 billion from \$15.9 billion at September 28, 2012. The increase in backlog from September 28, 2012 to September 27, 2013 was due primarily to new awards from clients operating in the Oil & Gas-Upstream, Chemicals and Polymers, Refining- Downstream, Infrastructure, Aerospace and Defense, and Buildings industry groups and markets.

In accordance with industry practice, substantially all of our contracts are subject to cancellation or termination at the discretion of the client. In a situation where a client terminates a contract, we would ordinarily be entitled to receive payment for work performed up to the date of termination and, in certain instances, we may be entitled to allowable termination and cancellation costs. There were no significant project cancellations in fiscal 2013.

While management uses all information available to it to determine backlog, our backlog at any given time is subject to changes in the scope of services to be provided as well as increases or decreases in costs relating to the contracts included therein. Accordingly, backlog is not necessarily a reliable indicator of future revenues.

Backlog relating to work to be performed either directly or indirectly for the U.S. federal government and its agencies totaled approximately \$4.1 billion (or 23.8% of total backlog), \$3.6 billion (or 22.9% of total backlog), and \$3.6 billion (or 24.9% of total backlog) at September 27, 2013, September 28, 2012, and September 30, 2011, respectively. Most of our federal contracts require that services be provided beyond one year. In general, these contracts must be funded annually (i.e., the amounts to be spent under the contract must be appropriated by the U.S. Congress to the procuring agency, and then the agency must allot these sums to the specific contracts).

Subject to the factors discussed in Item 1A— *Risk Factors*, above, we estimate that approximately \$8.4 billion, or 48.4%, of total backlog at September 27, 2013 will be realized as revenues within the next fiscal year.

Effects of Inflation

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

Liquidity and Capital Resources

At September 27, 2013, our primary sources of liquidity consisted of \$1.26 billion of cash and cash equivalents and \$779.1 million of available borrowing capacity under our \$1.21 billion unsecured revolving credit facility. We finance as much of our operations and growth as possible through cash generated by our operations.

During fiscal 2013, our cash and cash equivalents increased by \$223.9 million from \$1.03 billion at September 28, 2012 to \$1.26 billion at September 27, 2013. This compares to a net increase in cash and cash equivalents of \$126.8 million during the corresponding period last year. During fiscal 2013 we experienced net cash inflows of \$448.5 million from operating activities. These cash inflows were offset by cash outflows of \$157.1 million from investing activities and \$59.7 million from financing activities, along with \$7.8 million from the effects of exchange rate changes.

Operations provided net cash of \$448.5 million during fiscal 2013. This compares to net cash inflows of \$299.8 million and \$236.5 million during fiscal 2012 and 2011, respectively. The \$148.7 million increase in cash provided by operations in fiscal 2013 as compared to fiscal 2012 was due primarily to a \$49.2 million increase in net earnings attributable to the Group, a \$52.3 million favorable change in the Company's working capital accounts, a \$19.6 million change related to the Company's defined benefit pension plans, and a \$14.2 million change related to stock based compensation.

Because such a high percentage of our revenues are earned on cost-plus type contracts, and due to the significance of revenues relating to pass-through costs, most of the costs we incur are included in invoices we send to clients. Although we continually monitor our accounts receivable, we manage the operating cash flows of the Company by managing the working

capital accounts in total, rather than by the individual elements. The primary elements of the Company's working capital accounts are accounts receivable, accounts payable, and billings in excess of cost. Accounts payable consists of obligations to third parties relating primarily to costs incurred for projects which are generally billable to clients. Accounts receivable consist of billings to our clients — a substantial portion of which is for project-related costs. Billings in excess of cost consist of billings to and payments from our clients for costs yet to be incurred.

This relationship between revenues and costs, and between receivables and payables is unique to our industry, and facilitates review of our liquidity at the total working capital level. The changes in cash flows relating to our working capital accounts were due simply to the timing of cash receipts and payments within our working capital accounts and is not indicative of any known trend or fundamental change to the underlying business. We still continue to experience delays in certain payments and have seen an increase in the length of payment terms with certain customers. We believe that this situation does not present a significant risk to the Company's cash flows. We believe the risk of not collecting substantially all of the Company's outstanding receivables is remote. Though the Company provides services in a number of countries outside the U.S., we believe our credit risk is not significant. Our private sector customers are comprised principally of large, well known, and well established multi-national companies. Our government customers are comprised of national, state, and local agencies located principally in the U.S. and the U.K. We have not historically experienced significant collection issues with either of our governmental or non-governmental customers.

We used \$157.1 million of cash and cash equivalents for investing activities during fiscal 2013 . This compares to \$181.1 million and \$801.8 million during fiscal 2012 and 2011, respectively. The Company did not engage in any significant financing activity during fiscal 2013 .

Additions to property and equipment totaled \$127.3 million , \$102.6 million , and \$98.7 million for fiscal years 2013, 2012, and 2011, respectively. Included in fiscal 2013 activity are significant expenditures for leasehold improvements relating primarily to the consolidation of certain office space, expansion of office space, and relocations of certain office space, all occurring in a number of locations.

Our financing activities resulted in net cash outflows of \$59.7 million and \$2.7 million during fiscal 2013 and fiscal 2012, respectively. This compares to net cash inflows of \$556.9 million during fiscal 2011. The \$57.0 million net increase in cash outflows from financing activities during fiscal 2013 as compared to fiscal 2012 was due primarily to the net decrease in the Company's outstanding debt.

The Company had \$1.26 billion of cash and short term equivalents at September 27, 2013 . Of this amount, approximately \$932.2 million was held in the U.S. and \$324.2 million was held outside of the U.S., primarily in Canada, the U.K., and the Eurozone. Other than the tax cost of repatriating funds held outside the U.S. to the U.S. (see Note 9— *Income Taxes* of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K), there are no impediments to repatriating these funds to the U.S.

The total amount utilized under the 2012 Facility at September 27, 2013 was \$425.9 million (\$415.1 million in the form of direct borrowings and \$10.8 million utilized in the form of letters of credit). Please refer to Note 5— *Borrowings* of Notes to Consolidated Financial Statements beginning on page F-1 of this Annual Report on Form 10-K for additional information regarding the 2012 Facility.

We believe we have adequate liquidity and capital resources to fund our operations, support our acquisition strategy, and service our debt for the next twelve months. We had \$1.26 billion in cash and cash equivalents at September 27, 2013 , compared to \$1.03 billion at September 28, 2012 . Our consolidated working capital position at September 27, 2013 was \$2.15 billion ; an increase of \$286.9 million from September 28, 2012 .

As noted in the Company's Form 8-K dated September 8, 2013, we entered into a Merger Implementation Deed with Sinclair Knight Merz ("SKM"), a 6,500 -person professional services firm headquartered in Australia for an estimated purchase price of \$1.1 billion. The Company has adequate cash and existing debt capacity to finance this transaction and fund our operations.

Additionally, there was \$779.1 million of borrowing capacity available at September 27, 2013 under the 2012 Facility. We believe that the remaining capacity, terms and conditions of our revolving credit facility, combined with cash on-hand and the other committed and uncommitted facilities we have in place, are adequate for our working capital and general business requirements.

The Company had \$243.3 million of letters of credit outstanding at September 27, 2013 . Of this amount, \$10.8 million were issued under the 2012 Facility and \$232.5 million were issued under separate, committed and uncommitted letter-of-credit facilities.

Off-Balance Sheet Arrangements

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

New Accounting Pronouncements

From time to time, the Financial Accounting Standards Board ("FASB") issues accounting standards updates (each being an "ASU") to its Accounting Standards Codification ("ASC"), which constitutes the primary source of U.S. GAAP. The Company regularly monitors ASUs as they are issued and considers their applicability to its business. All ASUs applicable to the Company are adopted by the due date and in the manner prescribed by the FASB. A discussion of those recently issued ASUs most likely to affect the presentation of the Company's consolidated financial statements follows.

In February 2013, the FASB adopted ASU No. 2013-02—Comprehensive Income. ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of earnings or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about these amounts. ASU 2013-02 is effective for annual and interim periods beginning after December 15, 2012. The adoption of ASU 2013-02 has not had a material effect on the Company's consolidated financial statements.

In July 2012, the FASB adopted ASU No. 2012-02— *Testing Indefinite-Lived Intangible Assets for Impairment*. ASU 2012-02 amends Topic 350 of the FASB's ASC regarding how entities test indefinite-lived intangible assets other than goodwill for possible impairment. ASU 2012-02 permits entities first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test pursuant to ASC Subtopic 350-30. If the entity determines that is more likely than not that such asset is not impaired based on its qualitative assessment, no further testing is required. The amendments in ASU 2012-02 are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of ASU 2012-02 has not had a material effect on the Company's consolidated financial statements.

Also in December 2011, the FASB adopted ASU No. 2011-11— *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 amends Topic 210 of the ASC and requires entities to disclose information about offsetting and related arrangements to enable users of their financial statements to understand the effect of those arrangements on their respective financial positions. The scope of this ASU includes derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and securities lending agreements. Entities are required to apply the provisions of ASU 2011-11 for annual reporting periods beginning on or after January 1, 2013. The Company does not believe that the adoption of ASU 2011-11 will have a material effect on its consolidated financial statements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

Please refer to the discussion of the Company's 2012 Facility in the liquidity and capital resources discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K.

Foreign Currency Risk

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as defined by Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of September 27, 2013, the end of the period covered by this Annual Report on Form 10-K (the "Evaluation Date"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the Evaluation Date.

Management's Annual Report on Internal Control Over Financial Reporting

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

Changes in Internal Control

There were no changes in the Company's internal control over financial reporting during the Company's fiscal quarter ended September 27, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Effectiveness of Controls

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

Item 9B. OTHER INFORMATION

The following information is being provided herein in lieu of a Current Report on Form 8-K, specifically for a disclosure under Item 5.02 of Form 8-K:

On November 21, 2013, Jacobs Engineering Group Inc. (the "Company") reassigned the operational duties of Mr. Gregory J. Landry, Executive Vice President-Operations, at his request. Those duties have been assigned to other Executive Vice Presidents - Operations within the company. As a result of this reassignment, the Board determined that, effective as of November 21, 2013, Mr. Landry is no longer one of the Company's executive officers.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors, Executive Officers, Promoters and Control Persons

The information required by Paragraph (a), and Paragraphs (c) through (g) of Item 401 of Regulation S-K (except for information required by Paragraph (e) of that Item to the extent the required information pertains to our executive officers) and Item 405 of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year. The information required by Paragraph (b) of Item 401 of Regulation S-K is set forth in Part I, Item 1 of this Annual Report on Form 10-K.

Code of Ethics

We have adopted a code of ethics for our chief executive, chief financial, and principal accounting officers; a code of business conduct and ethics for members of our Board of Directors; and corporate governance guidelines. The full text of the codes of ethics and corporate governance guidelines is available at our website www.jacobs.com. In the event we make any amendment to, or grant any waiver from, a provision of the code of ethics that applies to the principal executive officer, principal financial officer or principal accounting officer that requires disclosure under applicable SEC rules, we will disclose such amendment or waiver and the reasons therefor on our website. We will provide any person without charge a copy of any of the aforementioned codes of ethics upon receipt of a written request. Requests should be addressed to: Jacobs Engineering Group Inc., 155 S. North Lake Avenue, Pasadena, California, 91101, Attention: Corporate Secretary.

Corporate Governance

The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents certain information about our equity compensation plans as of September 27, 2013 :

	Column A	Column B	Column C
	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A)
<u>Plan Category</u>			
Equity compensation plans approved by shareholders (a)	4,606,212	\$ 52.33	7,925,846
Equity compensation plans not approved by shareholders	—	—	—
Total	4,606,212	\$ 52.33	7,925,846

- (a) The number in Column A excludes purchase rights accruing under our two, broad-based, shareholder-approved employee stock purchase plans: The Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan (the “1989 ESPP”), and the Global Employee Stock Purchase Plan (the “GESPP”). These plans give employees the right to purchase shares at an amount and price that are not determinable until the end of the specified purchase periods, which occur monthly. Our shareholders have authorized a total of 27.8 million shares of common stock to be issued through the 1989 ESPP and the GESPP. From the inception of the 1989 ESPP and the GESPP through September 27, 2013 , a total of 25.1 million shares have been issued, leaving 2.7 million shares of common stock available for future issuance at that date.

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

The information required by this Item is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is hereby incorporated by reference from our definitive proxy statement to be filed with the SEC pursuant to Regulation 14A within 120 days after the close of our fiscal year.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) Documents filed as part of this report:
 - (1) The Company's Consolidated Financial Statements at September 27, 2013 and September 28, 2012 and for each of the three years in the period ended September 27, 2013, September 28, 2012 and September 30, 2011 and the notes thereto, together with the report of the independent auditors on those Consolidated Financial Statements are hereby filed as part of this report, beginning on page F-1.
 - (2) Financial statement schedules – no financial statement schedules are presented as the required information is either not applicable, or is included in the consolidated financial statements or notes thereto.
 - (3) See Exhibits and Index to Exhibits, below.
- (b) Exhibits and Index to Exhibits:

2.1	Share Purchase Agreement between Aker Solutions ASA and certain of its subsidiaries and the Registrant and certain of its subsidiaries, dated as of December 21, 2010, for the purchase of certain Aker Solutions businesses. Filed as Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q for the first quarter of fiscal 2011 and incorporated herein by reference.
†2.2	Merger Implementation Deed between Sinclair Knight Merz Management Pty Limited and Sinclair Knight Merz Holdings Limited and Jacobs Engineering Group Inc. and Jacobs Australia Holdings Company Pty. Ltd, dated as of September 8, 2013.
3.1	Amended and Restated Certificate of Incorporation of the Registrant. Filed as Exhibit 3.1 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.
3.2	Jacobs Engineering Group Inc. Amended and Restated Bylaws, dated September 27, 2013. Filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K on September 27, 2013 and incorporated herein by reference.
4.1	See Sections 5 through 18 of Exhibit 3.1.
4.2	See Article II, Section 3.03 of Article III, Article VI and Section 7.04 of Article VII of Exhibit 3.2.
10.1 #	The Jacobs Engineering Group Inc. Incentive Bonus Plan for Officers and Key Managers. Filed as Exhibit 10.10 to the Registrant's fiscal 2011 Annual Report on Form 10-K and incorporated herein by reference.
10.2 #	The Executive Security Program of Jacobs Engineering Group Inc. Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2009 and incorporated herein by reference.
10.3 #	Amendment to the Executive Security Program of Jacobs Engineering Group Inc., dated December 23, 2008. Filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2009 and incorporated herein by reference.
10.4 #	Amendment to the Executive Security Program of Jacobs Engineering Group Inc., dated May 31, 2009. Filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2009 and incorporated herein by reference.
10.5 #	Jacobs Engineering Group Inc. 1991 Executive Deferral Plan, effective June 1, 1991. Filed as Exhibit 10.5 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.
10.6 #	Jacobs Engineering Group Inc. 1993 Executive Deferral Plan, effective December 1, 1993. Filed as Exhibit 10.6 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.
10.7 #	Jacobs Engineering Group Inc. 1995 Executive Deferral Plan, effective January 1, 1995. Filed as Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2009 and incorporated herein by reference.
10.8 #	Jacobs Engineering Group Inc. Amended and Restated Executive Deferral Plan. Filed as Exhibit 10.8 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.

10.9 #	The Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan, as Amended and Restated-effective January 22, 2009. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on January 27, 2009 and incorporated herein by reference.
10.10 #	The Jacobs Engineering Group Inc. Global Employee Stock Purchase Plan. Filed as Exhibit 10.10 to the Registrant's fiscal 2011 Annual Report on Form 10-K and incorporated herein by reference.
10.11 #	Jacobs Engineering Group Inc. 401(k) Plus Savings Plan and Trust, as Amended and Restated April 1, 2003. Filed as Exhibit 10.12 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.
10.12 #	Jacobs Engineering Group Inc. 1999 Stock Incentive Plan, as Amended and Restated. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on January 27, 2012 and incorporated herein by reference.
10.13 #	Form of Indemnification Agreement entered into between the Registrant and certain of its officers and directors. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2012 and incorporated herein by reference.
10.14 #	Form of Jacobs Engineering Group Inc. Non-Qualified Stock Option Agreement. Filed as Exhibit 4.3 to the Registrant's Registration Statement on Form S-8 filed on January 29, 2009 and incorporated herein by reference.
10.15 #	Form of Jacobs Engineering Group Inc. Restricted Stock Agreement. Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2012 and incorporated herein by reference.
10.16 #	Form of Restricted Stock Unit Award Agreement (Market Stock Units). Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K on June 1, 2011 and incorporated herein by reference.
10.17 #	Form of Restricted Stock Unit Award Agreement. Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K on June 1, 2011 and incorporated herein by reference.
10.18 #	Form of Restricted Stock Award Agreement. Filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K on May 26, 2011 and incorporated herein by reference.
10.19 #	Amendment One to Restricted Stock Unit Award Agreement (Market Stock Units) by and between Craig Martin and the Company dated as of October 14, 2011. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on October 18, 2011 and incorporated herein by reference.
10.20 #	Jacobs Engineering Group Inc. 1999 Outside Director Stock Plan, as Amended and Restated. Filed as Exhibit 10.21 to the Registrant's fiscal 2012 Annual Report on Form 10-K and incorporated herein by reference.
10.21	Form of Restricted Stock Unit Award Agreement (Performance Shares - Net Earnings Growth). Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2013 and incorporated herein by reference.
10.22	Form of Restricted Stock Unit Award Agreement. (Performance Shares - TSR). Filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2013 and incorporated herein by reference.
10.23	Credit Agreement dated as of March 29, 2012 among Jacobs Engineering Group Inc. and certain of its subsidiaries (as "borrowers"), and the Bank of America, N.A.A. (as "Administrative Agent"); BNP Paribas, and Wells Fargo Bank, N.A. (as Co-Syndication Agents); Union Bank, N.A. (as Documentation Agent); Merrill Lynch, Pierce, Fenner & Smith Incorporated (as Sole Book Manager); and Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNP Paribas Securities Corp, and Wells Fargo Securities, LLC (as Joint Lead Arrangers). Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2012 and incorporated herein by reference.

- 10.24 # Employment agreement between Jacobs Engineering Group Inc. and Michael Tyler dated May 28, 2013. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2013 and incorporated herein by reference.
- 10.25 # Assignment Letter Agreement dated February 16, 2005 between the Registrant and Thomas R. Hammond, Executive Vice President. Filed as Exhibit 10.17 to the Registrant's fiscal 2010 Annual Report on Form 10-K and incorporated herein by reference.
- 10.26 # Assignment Letter Agreement dated February 16, 2005 between the Registrant and Thomas R. Hammond, Executive Vice President. Filed as Exhibit 10.17 to the Registrant's fiscal 2010 Annual Report on Form 10-K and incorporated herein by reference.
- 10.27 # Amendment dated April 23, 2008 to the February 16, 2005 Assignment Letter Agreement between the Registrant and Thomas R. Hammond, Executive Vice President. Filed as Exhibit 10.16 to the Registrant's fiscal 2008 Annual Report on Form 10-K and incorporated herein by reference.
- 10.28 # Amendment dated October 1, 2009 to the February 16, 2005 Assignment Letter Agreement between the Registrant and Thomas R. Hammond, Executive Vice President. Filed as Exhibit 10.18 to the Registrant's fiscal 2009 Annual Report on Form 10-K and incorporated by reference.
- 10.29 # Relocation/Repatriation Agreement, dated as of September 29, 2011, by and between the Registrant and Thomas Hammond. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K on September 29, 2011 and incorporated herein by reference.
- 10.30 # Jacobs Engineering Group Inc. 2005 Executive Deferral Plan, effective January 1, 2005. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2010 and incorporated herein by reference.
- 10.31 # Agreement between Jacobs Engineering Group Inc. and Noel G. Watson dated July 1, 2010. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2010 and incorporated herein by reference.
- 10.32 # Consulting Agreement between Jacobs Engineering Group Inc. and Noel G. Watson dated July 1, 2010. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2010 and incorporated herein by reference.
- 10.33 # Amendment No. 1 to Consulting Agreement between the Registrant and Noel G. Watson dated July 1, 2011. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2011 and incorporated herein by reference.
- 10.34 # Amendment No. 2 to Consulting Agreement between the Registrant and Noel G. Watson dated July 1, 2013. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the third quarter of fiscal 2013 and incorporated herein by reference.
- 10.35 Term Loan Agreement dated January 27, 2011 between Jacobs Engineering U.K. Limited and Royal Bank of Scotland Finance (Ireland). Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2011 and incorporated herein by reference.
- 10.36 Senior Term Loan Facility dated January 26, 2011 between Jacobs Nederland B.V. and BNP Paribas. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2011 and incorporated herein by reference.
- 10.37 Senior Term Loan Facility dated January 26, 2011 between Jacobs Engineering U.K. Limited and Bank of America, N.A., London Branch. Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2011 and incorporated herein by reference.

10.38	Senior Term Loan Facility dated January 26, 2011 between Jacobs Australia Pty Limited and Bank of America, N.A., Australian Branch. Filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2011 and incorporated herein by reference.
10.39	Form of Guaranty among certain subsidiaries of the Registrant and Royal Bank of Scotland Finance (Ireland), BNP Paribas, Bank of America, N.A., London Branch, and Bank of America, N.A., Australian Branch. Filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2011 and incorporated herein by reference.
10.40 #	Employment Agreement dated December 23, 2010 between the Registrant and Gary Mandel. Filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the second quarter of fiscal 2011 and incorporated herein by reference.
†21.	List of Subsidiaries of Jacobs Engineering Group Inc.
†23.	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
†31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
†32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
†95.	Mine Safety Disclosure.
†101.INS	XBRL Instance Document
†101.SCH	XBRL Taxonomy Extension Schema Document
†101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
†101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
†101.LAB	XBRL Taxonomy Extension Label Linkbase Document
†101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

† Being filed herewith.

Management contract or compensatory plan or arrangement.

SIGNATURES

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

Dated: November 22, 2013

JACOBS ENGINEERING GROUP INC.
By: /S/ Craig L. Martin
Craig L. Martin
President, Chief Executive Officer, and Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/S/ Craig L. Martin</u> Craig L. Martin	President, Chief Executive Officer and Director (Principal Executive Officer)	<u>November 22, 2013</u>
<u>/S/ Noel G. Watson</u> Noel G. Watson	Chairman of the Board	<u>November 22, 2013</u>
<u>/S/ Joseph R. Bronson</u> Joseph R. Bronson	Director	<u>November 22, 2013</u>
<u>/S/ John F. Coyne</u> John F. Coyne	Director	<u>November 22, 2013</u>
<u>/S/ Juan Jose Suarez Coppel</u> Juan Jose Suarez Coppel	Director	<u>November 22, 2013</u>
<u>/S/ Robert C. Davidson, Jr.</u> Robert C. Davidson, Jr.	Director	<u>November 22, 2013</u>
<u>/S/ Ralph E. Eberhart</u> Ralph E. Eberhart	Director	<u>November 22, 2013</u>
<u>/S/ Edward V. Fritzky</u> Edward V. Fritzky	Director	<u>November 22, 2013</u>
<u>/S/ Linda Fayne Levinson</u> Linda Fayne Levinson	Director	<u>November 22, 2013</u>
<u>Peter J. Robertson</u> <u>/S/ Christopher M.T. Thompson</u> Christopher M.T. Thompson	Director	<u>November 22, 2013</u>
<u>/S/ John W. Prosser, Jr.</u> John W. Prosser, Jr.	Executive Vice President, Finance and Administration and Treasurer (Principal Financial Officer)	<u>November 22, 2013</u>
<u>/S/ Nazim G. Thawerbhoy</u> Nazim G. Thawerbhoy	Senior Vice President and Controller (Principal Accounting Officer)	<u>November 22, 2013</u>

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
September 27, 2013

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
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September 27, 2013

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JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share information)
At September 27, 2013 and September 28, 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,256,405	\$ 1,032,457
Receivables	2,548,990	2,348,892
Deferred income taxes	131,086	142,369
Prepaid expenses and other current assets	103,077	88,359
Total current assets	4,039,558	3,612,077
Property, Equipment, and Improvements, Net	379,296	331,131
Other Noncurrent Assets:		
Goodwill	2,022,831	2,010,340
Miscellaneous	832,459	885,885
Total other noncurrent assets	2,855,290	2,896,225
	<u>\$ 7,274,144</u>	<u>\$ 6,839,433</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	\$ 22,783	\$ —
Accounts payable	457,893	376,694
Accrued liabilities	1,029,816	1,061,969
Billings in excess of costs	345,097	263,275
Income taxes payable	32,030	45,114
Total current liabilities	1,887,619	1,747,052
Long-term Debt	415,086	528,260
Other Deferred Liabilities	723,104	796,338
Redeemable Noncontrolling Interest	—	8,894
Commitments and Contingencies		
Stockholders' Equity:		
Capital stock:		
Preferred stock, \$1 par value, authorized—1,000,000 shares; issued and outstanding—none	—	—
Common stock, \$1 par value, authorized—240,000,000 shares; issued and outstanding—131,639,196 shares and 129,935,881 shares, respectively	131,639	129,936
Additional paid-in capital	1,084,624	953,983
Retained earnings	3,300,961	2,920,441
Accumulated other comprehensive loss	(304,127)	(281,887)
Total Jacobs stockholders' equity	4,213,097	3,722,473
Noncontrolling interests	35,238	36,416
Total Group stockholders' equity	4,248,335	3,758,889
	<u>\$ 7,274,144</u>	<u>\$ 6,839,433</u>

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
For the Fiscal Years Ended September 27, 2013 , September 28, 2012 , and September 30, 2011
(In thousands, except per share information)

	2013	2012	2011
Revenues	\$ 11,818,376	\$ 10,893,778	\$ 10,381,664
Costs and Expenses:			
Direct costs of contracts	(9,976,057)	(9,166,789)	(8,822,171)
Selling, general and administrative expenses	(1,173,340)	(1,130,916)	(1,040,575)
Operating Profit	668,979	596,073	518,918
Other (Expense) Income:			
Interest income	5,395	6,049	4,917
Interest expense	(12,906)	(11,686)	(8,799)
Gain on sale of intellectual property, net	—	6,292	—
Miscellaneous income (expense), net	80	(3,392)	1,625
Total other expense, net	(7,431)	(2,737)	(2,257)
Earnings Before Taxes	661,548	593,336	516,661
Income Tax Expense	(221,366)	(202,382)	(181,440)
Net Earnings of the Group	440,182	390,954	335,221
Net Earnings Attributable to Noncontrolling Interests	(17,089)	(12,000)	(4,192)
Net Earnings Attributable to Jacobs	\$ 423,093	\$ 378,954	\$ 331,029
Net Earnings Per Share:			
Basic	\$ 3.27	\$ 2.97	\$ 2.63
Diluted	\$ 3.23	\$ 2.94	\$ 2.60

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Fiscal Years Ended September 27, 2013 , September 28, 2012 , and September 30, 2011
(In thousands)

	2013	2012	2011
Net Earnings of the Group	\$ 440,182	\$ 390,954	\$ 335,221
Other Comprehensive (Loss) Income:			
Foreign currency translation adjustments	(23,704)	30,038	(22,524)
Change in pension liability	4,496	(100,385)	99,881
Gains (losses) on cash flow hedges	1,467	3,567	137
Other Comprehensive (Loss) Income Before Income Taxes	(17,741)	(66,780)	77,494
Income Tax Benefit (Expense):			
Foreign currency translation adjustments	—	(750)	(2,500)
Change in pension liability	(3,949)	24,443	(26,707)
Gains (losses) on cash flow hedges	(550)	(1,262)	(84)
Total Income Tax Benefit (Expense)	(4,499)	22,431	(29,291)
Net Other Comprehensive Income (Loss)	(22,240)	(44,349)	48,203
Net Comprehensive Income of the Group	417,942	346,605	383,424
Net Comprehensive Income Attributable to Noncontrolling Interests	(17,089)	(12,000)	(4,192)
Total Comprehensive Income Attributable to Jacobs	\$ 400,853	\$ 334,605	\$ 379,232

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

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Fiscal Years Ended September 27, 2013 , September 28, 2012 , and September 30, 2011

(In thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comp- rehensive Income (Loss)	Total Jacobs Stock- holders' Equity	Non- controlling Interests	Total Group Stock- holders' Equity
Balances at October 1, 2010	\$ 125,909	\$ 767,514	\$ 2,251,366	\$ (285,741)	\$ 2,859,048	\$ 5,880	\$ 2,864,928
Net earnings	—	—	331,029	—	331,029	4,192	335,221
Foreign currency translation adjustments, net of deferred tax expense of \$2,500	—	—	—	(25,024)	(25,024)	—	(25,024)
Pension liability, net of deferred tax expense of \$26,707	—	—	—	73,174	73,174	—	73,174
Gain on derivatives, net of deferred tax expense of \$84	—	—	—	53	53	—	53
Noncontrolling interest acquired / consolidated	—	—	—	—	—	4,942	4,942
Distributions to noncontrolling interests	—	—	—	—	—	(4,617)	(4,617)
Issuances of equity securities, net of deferred tax benefit of \$6,961	2,282	96,010	—	—	98,292	—	98,292
Repurchases of equity securities	(406)	(5,064)	(18,114)	—	(23,584)	—	(23,584)
Balances at September 30, 2011	127,785	858,460	2,564,281	(237,538)	3,312,988	10,397	3,323,385
Net earnings	—	—	378,954	—	378,954	12,000	390,954
Foreign currency translation adjustments, net of deferred tax expense of \$750	—	—	—	29,288	29,288	—	29,288
Pension liability, net of deferred tax benefit of \$24,443	—	—	—	(75,942)	(75,942)	—	(75,942)
Gain on derivatives, net of deferred tax expense of \$1,262	—	—	—	2,305	2,305	—	2,305
Noncontrolling interest acquired / consolidated	—	—	(3,971)	—	(3,971)	15,528	11,557
Distributions to noncontrolling interests	—	—	—	—	—	(5,376)	(5,376)
Contributions from noncontrolling interests	—	—	—	—	—	3,867	3,867
Issuances of equity securities, net of deferred tax benefit of \$4,074	2,706	106,494	—	—	109,200	—	109,200
Repurchases of equity securities	(555)	(10,971)	(18,823)	—	(30,349)	—	(30,349)
Balances at September 28, 2012	129,936	953,983	2,920,441	(281,887)	3,722,473	36,416	3,758,889
Net earnings	—	—	423,093	—	423,093	17,089	440,182
Foreign currency translation adjustments	—	—	—	(23,704)	(23,704)	—	(23,704)
Pension liability, net of deferred tax expense of \$3,949	—	—	—	547	547	—	547
Gain on derivatives, net of deferred tax expense of \$550	—	—	—	917	917	—	917
Noncontrolling interest acquired / consolidated	—	11,087	—	—	11,087	(10,293)	794
Distributions to noncontrolling interests	—	—	—	—	—	(7,974)	(7,974)
Issuances of equity securities, net of deferred tax expense of \$3,111	2,864	137,592	—	—	140,456	—	140,456
Repurchases of equity securities	(1,161)	(18,038)	(42,573)	—	(61,772)	—	(61,772)
Balances at September 27, 2013	\$ 131,639	\$ 1,084,624	\$ 3,300,961	\$ (304,127)	\$ 4,213,097	\$ 35,238	\$ 4,248,335

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended September 27, 2013 , September 28, 2012 , and September 30, 2011
(In thousands)

	2013	2012	2011
Cash Flows from Operating Activities:			
Net earnings attributable to the Group	\$ 440,182	\$ 390,954	\$ 335,221
Adjustments to reconcile net earnings to net cash flows from operations:			
Depreciation and amortization:			
Property, equipment and improvements	69,889	58,890	57,620
Intangible assets	28,985	41,934	37,750
Purchase accounting gain	—	—	(3,716)
Gain on sale of intellectual property	—	(6,292)	—
Stock based compensation	39,518	32,442	29,084
Tax deficiency (benefit) from stock based compensation	3,213	(3,957)	(6,837)
Equity in earnings of investees	(59,300)	(63,690)	(55,528)
Dividends received from earnings of investees	45,160	54,710	46,799
Change in pension plan obligations	(8,714)	(28,351)	(27,150)
Change in deferred compensation plans	(8,915)	(5,474)	—
(Gains) Losses on sales of assets, net	519	811	(481)
Changes in assets and liabilities, excluding the effects of businesses acquired:			
Receivables	(234,864)	(227,123)	(234,024)
Prepaid expenses and other current assets	(15,898)	(19,265)	(14,604)
Accounts payable	82,389	10,673	(15,997)
Accrued liabilities	(18,214)	80,806	41,529
Billings in excess of costs	84,043	(15,626)	13,304
Income taxes payable	(5,676)	10,015	26,387
Deferred income taxes	(4,358)	(1,036)	15,853
Other deferred liabilities	(2,199)	(4,764)	(1,218)
Change in long-term receivables	15,815	—	—
Other, net	(3,059)	(5,852)	(7,502)
Net cash provided by operating activities	448,516	299,805	236,490
Cash Flows from Investing Activities:			
Additions to property and equipment	(127,270)	(102,574)	(98,749)
Disposals of property and equipment	4,276	319	3,860
Change in cash related to consolidation of joint ventures	5,344	—	—
Purchases of investments	(15)	(38)	(193)
Sales of investments	11	15	4,667
Sale of intellectual property	—	12,726	—
Acquisitions of businesses, net of cash acquired	(39,429)	(91,575)	(711,421)
Net cash used for investing activities	(157,083)	(181,127)	(801,836)

See the accompanying Notes to Consolidated Financial Statements.

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended September 27, 2013 , September 28, 2012 , and September 30, 2011
(In thousands)
Continued

	2013	2012	2011
Cash Flows from Financing Activities:			
Proceeds from long-term borrowings	—	528,673	825,681
Repayments of long-term borrowings	(118,293)	(98)	(239,189)
Proceeds from short-term borrowings	59,094	2,586	77,055
Repayments of short-term borrowings	(35,400)	(579,901)	(159,394)
Proceeds from issuances of common stock	46,079	43,568	45,943
Tax (deficiency) benefit from stock based compensation	(3,213)	3,956	6,837
Distributions to noncontrolling interests	(7,974)	(5,376)	—
Contributions from noncontrolling interests	—	3,868	—
Net cash (used for) provided by financing activities	(59,707)	(2,724)	556,933
Effect of Exchange Rate Changes	(7,778)	10,870	(24,796)
Increase (Decrease) in Cash and Cash Equivalents	223,948	126,824	(33,209)
Cash and Cash Equivalents at Beginning of Period	1,032,457	905,633	938,842
Cash and Cash Equivalents at End of Period	<u>\$ 1,256,405</u>	<u>\$ 1,032,457</u>	<u>\$ 905,633</u>

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

1. Description of Business and Basis of Presentation

Description of Business

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

	2013	2012	2011
Cost-reimbursable	85%	85%	84%
Fixed-price	15%	15%	16%

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

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

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

Please refer to Note 16— *Definitions* for the definitions of certain terms used in the accompanying Consolidated Financial Statements and these Notes to Consolidated Financial Statements.

2. Significant Accounting Policies

Revenue Accounting for Contracts and Use of Joint Ventures

In general, we recognize revenues at the time we provide services. Depending on the commercial terms of the contract, we recognize revenues either when costs are incurred, or using the percentage-of-completion method of accounting by relating contract costs incurred to date to the total estimated costs at completion. Contract losses are provided for in their entirety in the period they become known, without regard to the percentage-of-completion. For multiple contracts with a single customer we account for each contract separately. We also recognize as revenues costs associated with claims and unapproved change orders to the extent it is probable that such claims and change orders will result in additional contract revenue, and the amount of such additional revenue can be reliably estimated.

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

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

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

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

The following table sets forth pass-through costs included in revenues for each of the last three fiscal years (in millions):

	2013		2012		2011
\$	2,624.8	\$	2,328.4	\$	2,118.5

As is common to the industry, we execute certain contracts jointly with third parties through various forms of joint ventures and consortiums. Although the joint ventures own and hold the contracts with the clients, the services required by the contracts are typically performed by us and our joint venture partners, or by other subcontractors under subcontracting agreements with the joint ventures. The assets of our joint ventures, therefore, consist almost entirely of cash and receivables (representing amounts due from clients), and the liabilities of our joint ventures consist almost entirely of amounts due to the joint venture partners (for services provided by the partners to the joint ventures under their individual subcontracts) and other subcontractors. In general, at any given time, the equity of our joint ventures represents the undistributed profits earned on contracts the joint ventures hold with clients. Very few of our joint ventures have employees. None of our joint ventures have third-party debt or credit facilities. Our joint ventures, therefore, are simply mechanisms used to deliver engineering and construction services to clients. Rarely do they, in and of themselves, present any risk of loss to us or to our partners separate from those that we would carry if we were performing the contract on our own. Under U.S. GAAP, our share of losses associated with the contracts held by the joint ventures, if and when they occur, has always been reflected in our Consolidated Financial Statements.

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

For the Company’s unconsolidated joint ventures, we use either the equity method of accounting or proportional consolidation. The Company does not currently participate in any significant VIEs in which it has a controlling financial interest that it does not consolidate.

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

Fair Value Measurements

The net carrying amounts of cash and cash equivalents, trade receivables and payables, and notes payable approximate Fair Value due to the short-term nature of these instruments. Similarly, we believe the carrying value of long-term debt also approximates Fair Value based on the interest rates and scheduled maturities applicable to the outstanding borrowings. Certain other assets and liabilities, such as forward contracts and an interest rate swap agreement we purchased as cash-flow hedges discussed in Note 10 — *Commitments and Contingencies, and Derivative Financial Instruments* are required to be carried in our Consolidated Financial Statements at Fair Value.

The Fair Value of the Company’s reporting units (needed for purposes of determining whether there is an indication of possible impairment of the carrying value of goodwill) was determined in fiscal year 2011 using a market approach that multiplies the after-tax earnings of each reporting unit for the trailing twelve months by the Company’s overall average market earnings multiple. For fiscal years 2012 and 2013, we used both an income approach and a market approach to test our goodwill for possible impairment. Such approaches require us to make estimates and judgments. Under the income approach, Fair Value is determined by using the discounted cash flows of our reporting units. Under the market approach, the Fair Values of our reporting units are determined by reference to guideline companies that are reasonably comparable to our reporting units; the Fair Values are estimated based on the valuation multiples of the invested capital associated with the guideline companies.

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

In assessing whether there is an indication that the carrying value of goodwill has been impaired, we utilize the results of both valuation techniques and consider the range of Fair Values indicated. The range of value (both end of the range) for each reporting unit, exceeded the respective book values by more than 60% .

With respect to share-based payments, we estimate the Fair Value of stock options granted to employees and directors using the Black-Scholes option-pricing model. Like all option-pricing models, the Black-Scholes model requires the use of highly subjective assumptions including (i) the expected volatility of the market price of the underlying stock, and (ii) the expected term of the award, among others. Accordingly, changes in assumptions and any subsequent adjustments to those assumptions can cause drastically different Fair Values to be assigned to our stock option awards. For restricted stock units containing service and market conditions, compensation expense is based on the Fair Value of such units using a Monte Carlo simulation. Due to the uncertainties inherent in the use of assumptions and the results of applying Monte Carlo simulations, the amount of expense recorded in the accompanying consolidated financial statements may not be representative of the effects on our future consolidated financial statements because equity awards tend to vest over several years and additional equity awards may be made in the future.

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

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

Cash Equivalents

We consider all highly liquid investments with original maturities of less than three months to be cash equivalents. Cash equivalents at September 27, 2013 and September 28, 2012 consisted primarily of money market mutual funds and overnight bank deposits.

Receivables and Billings in Excess of Costs

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

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

Property, Equipment, and Improvements

Property, equipment and improvements are carried at cost, and are shown net of accumulated depreciation and amortization in the accompanying Consolidated Balance Sheets. Depreciation and amortization is computed primarily by using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the lesser of the estimated useful life of the asset or the remaining term of the related lease. Estimated useful lives range from 20 to 40 years for buildings, from 3 to 10 years for equipment and from 4 to 10 years for leasehold improvements.

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

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired business over the Fair Value of the net tangible and intangible assets acquired. Goodwill and the cost of intangible assets with indefinite lives are not amortized; instead, we test goodwill for possible impairment. We conduct such tests annually (or more frequently if events occur or circumstances change that would more likely than not reduce the Fair Values of our reporting units below their respective carrying values). The first step in the test is to compare the implied Fair Value of each of the Company's reporting units to their respective carrying amounts, including goodwill. In the event that the carrying value of a reporting unit exceeds its Fair Value, a second test is performed to measure the amount of the impairment loss, if any. In performing the annual impairment test, the Company evaluates goodwill at the reporting unit level. We have determined that our operating segment is comprised of two reporting units based on geography. Based on the results of these tests, we have determined that the Fair Value of our reporting units substantially exceeded their respective carrying values for fiscal years 2013, 2012, and 2011.

The following table provides certain information related to the Company's acquired intangible assets for each of the fiscal years presented (in thousands):

	Customer Relationships, Contracts, and Backlog	Developed Technology	Trade Names	Other	Total
Balances, October 1, 2010	\$ 95,478	\$ —	\$ 2,052	\$ 2,515	\$ 100,045
Acquisitions	155,512	23,000	2,744	2,542	183,798
Amortization	(21,239)	(1,023)	(1,214)	(1,225)	(24,701)
Foreign currency translation	(13)	—	(109)	(14)	(136)
Balances, September 30, 2011	229,738	21,977	3,473	3,818	259,006
Acquisitions	13,010	—	1,200	410	14,620
Amortization	(24,406)	(1,533)	(1,430)	(1,597)	(28,966)
Foreign currency translation	(613)	—	(161)	(124)	(898)
Balances, September 28, 2012	217,729	20,444	3,082	2,507	243,762
Amortization	(20,731)	(1,533)	(614)	(1,130)	(24,008)
Foreign currency translation	(1,471)	—	(289)	(90)	(1,850)
Balances, September 27, 2013	\$ 195,527	\$ 18,911	\$ 2,179	\$ 1,287	\$ 217,904
Weighted average amortization period	10.2	13.0	13.4	7.2	10.5

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

The above table excludes the values assigned to those intangible assets embedded in the Company's investment in AWE Management Ltd. ("AWE"). Those amounts are included in the carrying value of the Company's investment in AWE. The amount of amortization expense we estimate we will record during each of the next five fiscal years relating to intangible assets existing at September 27, 2013, including those associated with AWE, is: fiscal 2014 - \$24.4 million; fiscal 2015 - \$23.9 million; fiscal 2016 - \$23.8 million; fiscal 2017 - \$23.7 million; and fiscal 2018 - \$23.7 million. The amounts reported for future amortization include the effect of exchange rate changes.

The change in goodwill during the period relates primarily to businesses acquired during fiscal 2013.

Business Combinations

The Company did not enter into any material business combinations during fiscal years 2012 and 2013,

On September 8, 2013, the Company, entered into a Merger Implementation Deed with Sinclair Knight Merz ("SKM"), a 6,500 - person professional services firm headquartered in Australia. In accordance with the terms of the Merger Implementation Deed, SKM would enter into a Sale Agreement immediately prior to implementation of the Acquisition. Pursuant to the Agreements, the Company would acquire 100% of SKM for approximately AUS \$1.3 billion in cash (approximately US \$1.2 billion as of September 27, 2013). The purchase price reflects an enterprise value of AUS \$1.2 billion (US \$1.1 billion as of September 27, 2013) plus adjustments for cash, debt and other items.

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

SKM is an employee-owned company that provides engineering, design, procurement, construction and project management, as well as consulting, planning and scientific services in the mining and metals, building and infrastructure, water and environment and power and energy industries. SKM has significant operations in Australia, Asia, South America and the U.K.

Additional detail regarding the SKM transaction can be found in the Company's Form 8-K dated September 8, 2013.

During the second quarter of fiscal 2011, we acquired certain operations within the process and construction business of Aker Solutions ASA, and in April 2011 we completed the acquisition of Aker Projects (Shanghai) Company Limited (together, the "Aker Entities"). The acquisition of the Aker Entities is described in more detail on pages 6 and F-16 of our 2011 Form 10-K. Consistent with most other business combinations we have completed, we began integrating the Aker Entities into our existing operations shortly after the businesses were acquired. Accordingly, it is not practicable to provide complete financial information for the Aker Entities on a stand-alone basis.

The purchase price consisted of \$675.0 million plus approximately \$234.6 million representing the value of certain transactions specified in the share purchase agreement ("SPA") and a preliminary estimate of net cash and working capital acquired. Prior to the acquisition of the Aker Entities, the seller completed certain transactions that could have affected the amounts of net cash and net working capital of the operations acquired. The parties therefore negotiated into the SPA a "net cash and working capital adjustment" by which the net cash and working capital of the acquired operations were compared to target amounts specified in the SPA and which, after considering bands within which no settlement would be required, may cause one party to pay cash to the other. The final adjustment amount was determined in accordance with the terms of the SPA in the fourth quarter of fiscal 2011 and no payment was made by either party.

During the second quarter of fiscal 2012, the Company completed the purchase price allocation of the Aker Entities. The Company recorded a number of Fair Value adjustments affecting, among other things, the estimated liabilities related to certain projects; the final, estimated liabilities relating to acquired professional liability exposures; and other adjustments to the working capital of the balance sheets of the acquired businesses, the total of which fell within the purchase price adjustment band described in the preceding paragraph.

The following table presents the final allocation of the purchase price to the net assets acquired, excluding intangibles and goodwill (in thousands):

Assets:		
Cash and cash equivalents	\$	329,689
Receivables and other current assets		163,214
Property and equipment, and other assets		115,688
Total assets		608,591
Liabilities:		
Current liabilities		292,003
Long-term liabilities		22,534
Total liabilities		314,537
Net assets acquired	\$	<u>294,054</u>

The following table presents the values assigned to the identifiable intangible assets acquired in the Aker Entities transactions (in thousands):

Customer relationships / backlog	\$	136,000
Technology		23,000
Total	\$	<u>159,000</u>

The carrying values of intangible assets subject to amortization are included in "Other Noncurrent Assets" in the accompanying Consolidated Balance Sheet at September 28, 2012, and are being amortized over lives that range from 1 year to 15 years (the weighted average life for all intangibles is 12.8 years).

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

The amount of goodwill created as a result of the Aker Entities transactions is summarized as follows (in thousands):

Purchase price	\$	910,000
Amount assigned to net assets acquired		(294,054)
Amount assigned to identifiable intangible assets		(159,000)
Deferred taxes related to intangible assets		55,000
Goodwill recognized	\$	511,946

Some of the factors contributing to a purchase price that resulted in the recognition of goodwill include: (i) access to a large, highly-trained and stable workforce; (ii) the opportunity to expand our client base in the U.S., the United Kingdom, Canada, Australia, and China; (iii) the opportunity to enter new geographic markets in South America; (iv) the opportunity to expand our presence in the mining and minerals market; and (v) the opportunity of achieving operating synergies.

Other Matters

We do not expect a material amount of the goodwill recognized during fiscal 2012 and fiscal 2011 to be deductible for income tax purposes.

Included in selling, general and administrative expense for fiscal 2012 and fiscal 2011 is \$5.8 million and \$15.2 million, respectively of acquisition-related costs pertaining to our acquisition activities.

The Company has retrospectively adjusted certain fiscal 2011 comparative financial information for significant purchase accounting adjustments identified during the respective measurement periods of the related acquisitions. During fiscal 2012, the Company recorded adjustments increasing the Fair Values of accrued liabilities by \$100.1 million, income taxes payable by \$10.4 million, and other deferred liabilities by \$39.3 million. These amounts were offset by an increase in goodwill of \$127.1 million and \$22.7 million in deferred income tax assets. These purchase price adjustments related primarily to income tax exposures and project exposures. The basis for valuing the liabilities recorded for the income tax exposure was assessments received from taxing authorities, and the basis for valuing the projected-related liabilities was management's best estimate of the costs to complete the associated projects in excess of the respective contract values.

Foreign Currencies

In preparing our Consolidated Financial Statements, it is necessary to translate the financial statements of our subsidiaries operating outside the U.S., which are denominated in currencies other than the U.S. dollar, into the U.S. dollar. In accordance with U.S. GAAP, revenues and expenses of operations outside the U.S. are translated into U.S. dollars using weighted-average exchange rates for the applicable period(s) being translated while the assets and liabilities of operations outside the U.S. are generally translated into U.S. dollars using period-end exchange rates. The net effect of foreign currency translation adjustments is included in stockholders' equity as a component of accumulated other comprehensive income (loss) in the accompanying Consolidated Balance Sheets.

Share-Based Payments

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

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

The following table presents our stock-based compensation expense for the various types of awards made by the Company for each of the fiscal years presented (in thousands):

Award Type	2013	2012	2011
Restricted Stock and Restricted Stock Units (excluding Market and Performance Awards)	\$12,836	\$11,021	\$10,710
Stock Options	11,385	14,067	16,468
Market and Performance Awards	15,297	7,354	1,906
Total Expense	<u>\$39,518</u>	<u>\$32,442</u>	<u>\$29,084</u>

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

Stock Options —Substantially all of the stock options granted during the year are awarded on the same date (although the date is different for employees and directors). The following table presents the assumptions used in the Black-Scholes option-pricing model during each of the last three fiscal years for awards made to employees and directors:

	Awards Made to Employees			Awards Made to Directors		
	2013	2012	2011	2013	2012	2011
Dividend yield	0%	0%	0%	0%	0%	0%
Expected volatility	38.37%	43.28%	41.54%	37.65%	41.42%	41.97%
Risk-free interest rate	1.11%	0.95%	2.00%	0.95%	1.11%	2.40%
Expected term of options (in years)	5.82	5.82	5.82	5.82	5.82	5.82

Performance Awards — During fiscal year 2011, the Company granted restricted stock units containing service and performance conditions. The number of restricted stock units in which the employee may ultimately vest is determined using a stock performance multiplier (“SPM”). The SPM is the quotient obtained by dividing the 60 calendar day average market price of our common stock ending on the vesting date (“Ending Average Stock Price”) by the 60 calendar day average market price of our common stock ending on the grant date (“Beginning Average Stock Price”). The maximum SPM is 2 and will be zero if the Ending Average Market Price of our common stock is less than 50% of the Beginning Average Market Price. The number of restricted stock units earned is equal to the target restricted stock units awarded to an employee multiplied by the SPM.

The Company's chief executive officer's restricted stock units are further subject to an additional Total Shareholder Return (“TSR”) condition. Specifically, in order to receive full payout of whatever restricted stock unit award was otherwise earned at the end of the three -year performance period, the Company's TSR compared to its peers must be no less than at the 50th percentile. If performance is at the 25th percentile, 50% of the otherwise payable award is paid. No award is payable if TSR is below the 25th percentile. If performance is between the 25th and 50th percentile, the amount of the otherwise payable award is increased from 50% to 100% of the full award on a linear basis.

Substantially all of the restricted stock units with market conditions granted during the year are awarded on the same date. The following table presents the assumptions used to value these restricted stock units:

	2011
Dividend yield	—%
Expected volatility	46.67%
Risk-free interest rate	0.83%
Expected term (in years)	3

During fiscal years 2013 and 2012, the Company granted restricted stock units containing service, performance, and market conditions. The restricted stock unit award is split equally between Earned Relative TSR Restricted Stock Units and Earned Net Earnings Growth Restricted Stock Units.

The number of Earned Relative TSR Restricted Stock Units in which the employee may ultimately vest shall be equal to 50% of the grant multiplied by the TSR Performance Multiplier. The TSR Performance Multiplier will be determined

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

by comparing the Company's total stockholder return to the total stockholder return of each of the companies in a specified industry peer group over the three -year period immediately following the award date. For purposes of computing total stockholder return, the beginning stock price will be the average closing stock price over the 30 calendar day period ending on the award date ("Performance Period"), and the ending stock price will be the average closing price over the 30 calendar day period ending on the last day of the performance period. Any dividend payments made over the Performance Period will be deemed re-invested on the ex-dividend data in additional shares of the related Company.

The following table presents the basis on which the Earned Relative TSR Restricted Stock Units are determined:

Company TSR Percentile Rank	TSR Performance Multiplier
Below 30th percentile	—%
30th percentile	50%
50th percentile	100%
70th percentile or above	150%

If the Company's total stockholder return over the Performance Period falls between any of the brackets described above, the TSR Performance Multiplier will be determined using straight line interpolation based on the actual percentile ranking.

Substantially all of the restricted stock units market conditions granted during the year are awarded on the same date. The following table presents the assumptions used to value the Earned Relative TSR Restricted Stock Units:

	2013	2012
Dividend yield	—%	—%
Expected volatility	29.18%	36.30%
Risk-free interest rate	0.42%	0.42%
Expected term (in years)	3	3

The number of Earned Net Earnings Growth Restricted Stock Units awarded in fiscal year 2012 in which an employee may ultimately vest shall be equal to the sum of the following: (1) an amount, not less than zero, equal to one-third of the Target Restricted Stock Units multiplied by 50% multiplied by the Net Earnings Growth Performance Multiplier (or, "NEGPM", as defined) determined based upon the growth in the Company's Net Earnings (as defined) over the period from April 1, 2012 to March 31, 2013; plus, (2) an amount, not less than zero, equal to (A) two-thirds of the Target Restricted Stock Units multiplied by 50% multiplied by the NEGPM determined based upon the average growth in the Company's Net Earnings over the period from April 1, 2012 to March 31, 2014, minus (B) the amount determined pursuant to (1) above; plus, (3) an amount, not less than zero, equal to (A) the Target Restricted Stock Units multiplied by 50% multiplied by the NEGPM determined based upon the average growth in the Company's Net Earnings over the period from April 1, 2012 to March 31, 2015, minus (B) the amount determined pursuant to (1) and (2) above.

For Earned Net Earnings Growth Restricted Stock Units awarded in fiscal year 2013 all the criteria are the same over the three year vesting period as those referenced in the paragraph above with the exception of the performance period which is based upon the Company's Net Earnings (as defined) over the period starting on the first day of the Company's third quarter of fiscal 2013 and ending on the last day of the Company's second quarter of fiscal 2016.

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

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

The following table presents the basis on which the Earned Net Earnings Growth Restricted Stock Units are determined:

Average Net Earnings Growth	Net Earnings Growth Performance Multiplier
Less than 5%	—%
5%	50%
10%	100%
15%	150%
20%	200%

Unless stated otherwise, all other awards are valued based on the closing price of the Company's common stock as reported in the NYSE Composite Price History on their respective grant date.

Concentrations of Credit Risk

Our cash balances and short-term investments are maintained in accounts held by major banks and financial institutions located primarily in North America, South America, Europe, Australia, and Asia. In the normal course of business, and consistent with industry practices, we grant credit to our clients without requiring collateral. Concentrations of credit risk is the risk that, if we extend a significant amount of credit to clients in a specific geographic area or industry, we may experience disproportionately high levels of default if those clients are adversely affected by factors particular to their geographic area or industry. Concentrations of credit risk relative to trade receivables are limited due to our diverse client base, which includes the U.S. federal government and multi-national corporations operating in a broad range of industries and geographic areas. Additionally, in order to mitigate credit risk, we continually evaluate the credit worthiness of our major commercial clients.

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 financial statements; and certain amounts disclosed in these Notes to the Consolidated Financial Statements. Although such estimates and assumptions are based on management's most recent assessment of the underlying facts and circumstances utilizing the most current information available and past experience, actual results could differ significantly from those estimates and assumptions. Our estimates, judgments, and assumptions are evaluated periodically and adjusted accordingly.

Earlier in these Notes to Consolidated Financial Statements, we discussed three significant accounting policies that rely on the application of estimates and assumptions: revenue recognition for long-term construction contracts; the process for testing goodwill for possible impairment; and the accounting for share-based payments to employees and directors. The following is a discussion of certain other significant accounting policies that rely on the use of estimates:

Accounting for Pensions — We use certain assumptions and estimates in order to calculate periodic pension cost and the value of the assets and liabilities of our pension plans. These assumptions involve discount rates, investment returns, and projected salary increases, among others. Changes in the actuarial assumptions may have a material effect on the plans' liabilities and the projected pension expense.

Accounting for Income Taxes — We determine our consolidated income tax provision using the asset and liability method prescribed by U.S. GAAP. Under this method, deferred tax assets and liabilities are recognized for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. Such deferred tax assets and liabilities are adjusted, as appropriate, to reflect changes in tax rates expected to be in effect when the temporary differences reverse. If and when we determine that a deferred tax asset will not be realized for its full amount, we will recognize and record a valuation allowance with a corresponding charge to earnings. Judgment is required in determining our worldwide provision for income taxes. In the normal course of business, we may engage in numerous transactions every day for which the ultimate tax outcome (including the period in which the transaction will ultimately be included in taxable income or deducted as an expense) is uncertain. Additionally, we file income, franchise, gross receipts and similar tax returns in many jurisdictions. Our tax returns are subject to audit and investigation by the Internal Revenue Service, most states in the U.S., and by various government agencies representing many jurisdictions outside the U.S.

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

Contractual Guarantees, Litigation, Investigations, and Insurance — In the normal course of business, we are subject to certain contractual guarantees and litigation. We record in the Consolidated Balance Sheets amounts representing our estimated liability relating to such guarantees, litigation, and insurance claims. We perform an analysis to determine the level of reserves to establish for both insurance-related claims that are known and have been asserted against us as well as for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to our claims administrators as of the respective balance sheet dates. We include any adjustments to such insurance reserves in our Consolidated Statements of Earnings. In addition, as a contractor providing services to various agencies of the U.S. federal government, we are subject to many levels of audits, investigations, and claims by, or on behalf of, the U.S. federal government with respect to contract performance, pricing, costs, cost allocations, and procurement practices. We adjust revenues based upon the amounts we expect to realize considering the effects of any client audits or governmental investigations.

Accounting for Business Combinations — U.S. GAAP requires that the purchase price paid for business combinations accounted for using the acquisition method be allocated to the assets and liabilities acquired based on their respective Fair Values. Determining the Fair Value of contract assets and liabilities acquired often requires estimates and judgments regarding, among other things, the estimated cost to complete such contracts. The Company must also make certain estimates and judgments relating to other assets and liabilities acquired as well as any identifiable intangible assets acquired.

New Accounting Pronouncements

In February 2013, the FASB adopted ASU No. 2013-02—Comprehensive Income. ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of earnings or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about these amounts. ASU 2013-02 is effective for annual and interim periods beginning after December 15, 2012. The adoption of ASU 2013-02 has not had a material effect on the Company's consolidated financial statements.

In July 2012, the FASB adopted ASU No. 2012-02— *Testing Indefinite-Lived Intangible Assets for Impairment*. ASU 2012-02 amends Topic 350 of the FASB's ASC regarding how entities test indefinite-lived intangible assets other than goodwill for possible impairment. ASU 2012-02 permits entities first to assess qualitative factors to determine whether it is more likely than not that an indefinite lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test pursuant to ASC Subtopic 350-30. If the entity determines that it is more likely than not that such asset is not impaired based on its qualitative assessment, no further testing is required. The amendments in ASU 2012-02 are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of ASU 2012-02 has not had a material effect on the Company's Consolidated Financial Statements.

Also in December 2011, the FASB adopted ASU No. 2011-11— *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 amends Topic 210 of the ASC and requires entities to disclose information about offsetting and related arrangements to enable users of their financial statements to understand the effect of those arrangements on their respective financial positions. The scope of this ASU includes derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, and securities borrowing and securities lending agreements. Entities are required to apply the provisions of ASU 2011-11 for annual reporting periods beginning on or after January 1, 2013. The Company does not believe that the adoption of ASU 2011-11 will have a material effect on its consolidated financial statements.

3. Stock Purchase and Stock Option Plans

Broad-Based, Employee Stock Purchase Plans

The 1989 ESPP and the GESPP are employee stock purchase plans under which employees are granted the right to purchase shares of the common stock of Jacobs at a discount that is limited to 5% of the per-share market value on the day shares are sold to employees.

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

The following table summarizes the stock issuance activity under the 1989 ESPP and the GESPP during each of the last three fiscal years:

	2013	2012	2011
Aggregate Purchase Price Paid for Shares Sold:			
Under the 1989 ESPP	\$ 30,012,848	\$ 32,236,660	\$ 31,887,660
Under the GESPP	3,068,578	2,944,987	2,894,302
Total	\$ 33,081,426	\$ 35,181,647	\$ 34,781,962
Aggregate Number of Shares Sold:			
Under the 1989 ESPP	642,675	853,819	771,818
Under the GESPP	64,963	76,360	69,386
Total	707,638	930,179	841,204

At September 27, 2013, there were 2,414,021 shares reserved for issuance under the 1989 ESPP and 272,068 shares reserved for issuance under the GESPP.

Stock Incentive Plans

We also sponsor the 1999 SIP and the 1999 ODSP. The 1999 SIP provides for the issuance of incentive stock options, nonqualified stock options, share appreciation rights ("SAR"), restricted stock, and restricted stock units to employees. The 1999 ODSP provides for awards of shares of common stock, restricted stock, and restricted stock units, and grants of nonqualified stock options to our outside (i.e., nonemployee) directors. The 1999 SIP and the 1999 ODSP (together, the "1999 Plans") replaced the 1981 Plan. The following table sets forth certain information about the 1999 Plans:

	1999 SIP	1999 ODSP	Total
Number of shares authorized	25,600,000	800,000	26,400,000
Number of remaining shares reserved for issuance at September 27, 2013	9,456,344	389,625	9,845,969
Number of shares relating to outstanding stock options at September 27, 2013	4,356,712	249,500	4,606,212
Number of shares available for future awards:			
At September 27, 2013	5,099,632	140,125	5,239,757
At September 28, 2012	446,994	188,625	635,619

Effective September 28, 2012, all grants of shares under the 1999 SIP are issued on a fungible share basis. An award of an option or SAR counts as 1 share issued under the 1999 SIP Plan. A grant other than an option or SAR counts as 1.92 shares issued under the 1999 SIP Plan.

The following table presents the Fair Value of shares (of restricted stock and restricted stock units) vested during each of the last three fiscal years (in thousands):

2013	2012	2011
\$ 13,054	\$ 7,955	\$ 4,848

No market or performance awards vested during the last three fiscal years.

The following table presents the Company's total pre-tax compensation cost relating to share-based payments included in the accompanying Consolidated Statements of Earnings (in thousands):

2013	2012	2011
\$ 39,518	\$ 32,442	\$ 29,084

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

The following table summarizes the stock option activity for each of the last three fiscal years:

	Number of Stock Options	Weighted Average Exercise Price
Outstanding at October 1, 2010	7,410,580	\$ 39.10
Granted	433,600	\$ 46.04
Exercised	(1,363,005)	\$ 21.37
Cancelled or expired	(19,665)	\$ 47.81
Outstanding at September 30, 2011	6,461,510	\$ 43.28
Granted	658,700	\$ 37.45
Exercised	(1,281,449)	\$ 22.54
Cancelled or expired	(82,027)	\$ 43.92
Outstanding at September 28, 2012	5,756,734	\$ 47.23
Granted	753,450	\$ 54.71
Exercised	(1,782,371)	\$ 37.00
Cancelled or expired	(121,601)	\$ 50.22
Outstanding at September 27, 2013	4,606,212	\$ 52.33

Stock options outstanding at September 27, 2013 consisted entirely of nonqualified stock options. The following table presents the total intrinsic value of stock options exercised during each of the last three fiscal years (in thousands):

2013	2012	2011
\$ 22,163	\$ 26,196	\$ 34,665

The total intrinsic value of stock options exercisable at September 27, 2013, was approximately \$30.5 million. The following table presents certain other information regarding our 1999 Plans:

	2013	2012	2011
At fiscal year end:			
Range of exercise prices for options outstanding	\$20.98–\$94.11	\$18.49–\$94.11	\$13.29–\$94.11
Number of options exercisable	3,034,111	4,219,557	4,822,297
For the fiscal year:			
Range of prices relating to options exercised	\$18.49–\$56.95	\$13.29–\$37.73	\$10.79–\$41.18
Estimated weighted average Fair Values of options granted	\$ 20.64	\$ 15.55	\$ 19.43

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

The following table presents certain information regarding stock options outstanding, and stock options exercisable at September 27, 2013 :

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number	Weighted Average Remaining Contractual Life (years)	Weighted Average Price	Number	Weighted Average Exercise Price	
\$20.98 - \$26.80	91,800	0.67	\$ 23.14	91,800	\$ 23.14	
\$32.51 - \$37.32	569,500	8.55	37.01	157,125	36.98	
\$37.43 - \$46.86	1,757,213	6.15	42.54	1,388,287	42.41	
\$47.11 - \$55.04	972,925	8.72	52.74	247,825	48.32	
\$55.13 - \$57.81	503,975	0.93	56.94	494,975	56.97	
\$58.26 - \$83.61	136,075	5.41	72.43	79,375	81.34	
\$88.19 - \$94.11	574,724	1.63	92.57	574,724	92.57	
	<u>4,606,212</u>	<u>5.72</u>	<u>\$ 52.33</u>	<u>3,034,111</u>	<u>\$ 54.93</u>	

The 1999 Plans allow participants to satisfy the exercise price of stock options by tendering shares of Jacobs common stock that have been owned by the participants for at least six months. Shares so tendered are retired and canceled, and are shown as repurchases of common stock in the accompanying Consolidated Statements of Stockholders' Equity.

At September 27, 2013 , the amount of compensation cost relating to nonvested awards not yet recognized in the financial statements is approximately \$122.8 million . The majority of the unrecognized compensation costs will be recognized by the third quarter of fiscal 2015 . The weighted average remaining contractual term of options currently exercisable is 4.1 years.

The following table presents the number of shares of restricted stock and restricted stock units issued under the 1999 SIP during each of the last three fiscal years:

	2013(1)	2012	2011
Restricted stock	445,200	497,100	226,850
Restricted stock units (service condition)	107,500	116,450	2,100
Restricted stock units (service, market, and performance conditions at target)	471,250	525,000	291,700

The amount of restricted stock units issued for awards with performance and market conditions in the above table are based on the target amount. The number of shares ultimately issued, which could be greater or less than target, will be based on achieving specific performance conditions described in Note 2 – *Significant Accounting Policies* .

The following table presents the number of shares of restricted stock and restricted stock units cancelled and withheld under the 1999 SIP during each of the last three fiscal years:

	2013(1)(2)	2012	2011
Restricted stock	128,923	80,460	33,200
Restricted stock units (service condition)	3,385	5,650	—
Restricted stock units (service, market, and performance conditions at target)	32,000	22,000	—

The amount of restricted stock units cancelled for awards with market and performance conditions in the above table is based on the target amount.

(1) The share amounts in the above tables for fiscal 2013 reflect the fungible share counting of 1.92 shares for each share of restricted stock and restricted stock unit issued.

(2) Commencing in fiscal 2013 , shares withheld for withholding tax liabilities are available for awards under the 1999 SIP and have been included in the table above for fiscal 2013 only.

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

The restrictions attached to restricted stock and restricted stock units generally relate to the recipient's ability to sell or otherwise transfer the stock or stock units. There are also restrictions that subject the stock and stock units to forfeiture back to the Company until earned by the recipient through continued employment or service.

The following table provides the number of shares of restricted stock and restricted stock units outstanding at September 27, 2013 under the 1999 SIP. Shares granted prior to September 29, 2012 were granted on a 1 -to-1 basis ("Not Fungible"). Shares Granted after September 28, 2012 were issued on a 1.92 -to-1 basis ("Fungible"):

	Not Fungible	Fungible	Total
Restricted stock	1,144,370	441,200	1,585,570
Restricted stock units (service condition)	109,030	106,500	215,530
Restricted stock units (service, market, and performance conditions at target)	762,700	471,250	1,233,950

The following table presents the number of shares of restricted stock and restricted stock units issued under the 1999 ODSP during each of the last three fiscal years:

	2013	2012	2011
Restricted stock units (service condition)	13,500	8,000	10,000

The following table provides the number of shares of restricted stock and restricted stock units outstanding at September 27, 2013 under the 1999 ODSP:

	2013
Restricted stock	40,000
Restricted stock units (service condition)	47,500

All shares granted under the 1999 ODSP are issued on a 1 -to-1 basis.

4. Earnings Per Share

The following table (i) reconciles the denominator used to compute Basic EPS to the denominator used to compute Diluted EPS for each of the last three fiscal years, and (ii) discloses the number of antidilutive stock options, restricted stock, and restricted stock units outstanding at the end of each of the fiscal years indicated (in thousands):

	2013	2012	2011
Shares used to calculate EPS:			
Weighted average shares outstanding (denominator used to compute basic EPS)	129,288	127,644	125,686
Effect of stock options and restricted stock	1,657	1,048	1,549
Denominator used to compute diluted EPS	130,945	128,692	127,235
Antidilutive stock options, restricted stock, and restricted stock units	2,603	5,093	4,507

5. Borrowings

Short-Term Credit Arrangements

The Company maintains both committed and uncommitted credit arrangements with several banks providing for short-term borrowing capacity and overdraft protection. There were overdrafts of \$22.8 million outstanding, primarily in our India operations, under these short-term credit facilities at a weighted average interest rate of 10.7% at September 27, 2013, and there were no amounts outstanding under these short-term credit facilities at September 28, 2012.

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

Long-term Debt

The following table presents certain information regarding the Company's long-term revolving credit facility at September 27, 2013 , and September 28, 2012 (dollars in thousands):

	2013		2012	
	Principal Balance Outstanding	Range of Interest Rates	Principal Balance Outstanding	Range of Interest Rates
2012 Facility	\$ 415,086	0.96% – 1.37%	\$ 528,260	0.95% – 1.41%

The Company has a long-term, unsecured, revolving credit facility (the "2012 Facility") providing \$1.21 billion of borrowing capacity with a syndicate of large, U.S. and international banks and financial institutions. The total amount outstanding under the 2012 Facility at September 27, 2013 , was \$425.9 million (\$415.1 million in the form of direct borrowings and \$10.8 million utilized in the form of letters of credit).

The 2012 Facility expires in March 2017 and permits the Company to borrow under three 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 2012 Facility. Depending on the Company's Consolidated Leverage Ratio, borrowings under the 2012 Facility will bear interest at either a eurocurrency rate plus a margin of between 0.875% and 1.225% or a base rate plus a margin of between 0% and 0.225% . The 2012 Facility also provides for a financial letter of credit subfacility of \$300.0 million , permits performance letters of credit, and provides for a \$50.0 million subfacility for swingline loans. Letters of credit are subject to fees based on the Company's Consolidated Leverage Ratio at the time any such letter of credit is issued. The Company pays a facility fee of between 0.125% and 0.275% per annum depending on the Company's Consolidated Leverage Ratio. Amounts outstanding under the 2012 Facility may be prepaid at the option of the Company without premium or penalty, subject to customary breakage fees in connection with the prepayment of eurocurrency loans. The 2012 Facility contains affirmative, negative, and financial covenants customary for financings of this type including, among other things, limitations on certain other indebtedness, loans and investments, liens, mergers, asset sales and transactions with affiliates. In addition, the 2012 Facility contains customary events of default. We were in compliance with our debt covenants at September 27, 2013 .

The following table presents certain additional information regarding the Company's 2012 Facility for the fiscal years shown:

	2013	2012
Maximum amount outstanding at any month-end during the fiscal year	\$ 526,602	\$ 586,933
Average amount outstanding during the year	\$ 470,343	\$ 537,131
Weighted average interest rate during the year	1.11	1.32

The following table presents the amount of interest paid by the Company during each of the last three fiscal years (in thousands):

2013	2012	2011
\$ 6,685	\$ 8,572	\$ 7,778

6. Pension Plans

Company-Only Sponsored Plans

We sponsor various defined benefit pension plans covering employees of certain U.S. and international subsidiaries. The pension plans provide pension benefits that are based on the employee's compensation and years of service. Our funding policy is to fund the actuarially determined accrued benefits, allowing for projected compensation increases using the projected unit method.

The accounting for pension and other post-retirement benefit plans requires the use of assumptions and estimates in order to calculate periodic benefit cost and the value of the plans' assets and benefit obligations. These assumptions include discount rates, investment returns, and projected salary increases, amongst others. The discount rates used in valuing the plans' benefit obligations were determined with reference to high quality corporate/government bonds that are appropriately matched

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to the duration of each plan's obligations. The expected long-term rate of return on plan assets, with the exception of plans in Belgium (where the assets are invested in an insurance product that provides guaranteed returns) and India (where asset returns are generally set using government bond yields), is based on a simulation model which selects a single outcome for expected return based on the target asset allocation. The model simulates interest rates, inflation, and asset class returns for up to 20 years and for 1,000 or 2000 economic scenarios to generate a range of likely outcomes. The expected long-term-rate of return used in the valuation are the annual average returns generated by these assumptions over a 20 year period for each asset class based on the expected long-term rate of return of the underlying assets.

The following table sets forth the changes in the plans' combined net benefit obligation (segregated between plans existing within and outside the U.S.) during each of the fiscal years presented (in thousands):

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2013	2012	2013	2012
Net benefit obligation at the beginning of the year	\$ 509,605	\$ 482,542	\$ 1,191,345	\$ 968,938
Service cost	13,814	12,838	30,117	22,723
Interest cost	18,569	20,923	51,331	54,287
Participants' contributions	3,071	3,200	11,805	11,614
Actuarial (gains)/losses	(42,689)	20,342	57,764	142,935
Benefits paid	(33,960)	(10,978)	(34,058)	(30,180)
Curtailments and settlements	—	(27,702)	(6,297)	(6,118)
Plan amendments	—	—	109	(2,294)
Business combinations/consolidations	—	8,440	—	8,933
Special termination benefits	29	—	—	—
Effect of exchange rate changes	—	—	5,215	20,507
Net benefit obligation at the end of the year	<u>\$ 468,439</u>	<u>\$ 509,605</u>	<u>\$ 1,307,331</u>	<u>\$ 1,191,345</u>

The following table sets forth the changes in the combined Fair Value of the plans' assets (segregated between plans existing within and outside the U.S.) during each of the fiscal years presented (in thousands):

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2013	2012	2013	2012
Fair Value of plan assets at the beginning of the year	\$ 359,348	\$ 285,777	\$ 877,950	\$ 744,689
Actual return on plan assets	53,495	62,635	72,368	91,987
Employer contributions	8,823	42,606	53,885	48,374
Participants' contributions	3,071	3,200	11,805	11,614
Gross benefits paid	(33,960)	(10,978)	(34,058)	(30,180)
Business combinations/consolidations	—	3,810	—	4,272
Curtailments/settlements	—	(27,702)	(4,973)	(6,085)
Effect of exchange rate changes	—	—	5,502	13,279
Fair Value of plan assets at the end of the year	<u>\$ 390,777</u>	<u>\$ 359,348</u>	<u>\$ 982,479</u>	<u>\$ 877,950</u>

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The following table reconciles the combined funded statuses of the plans recognized in the accompanying Consolidated Balance Sheets at September 27, 2013 , and September 28, 2012 (segregated between plans existing within and outside the U.S.) (in thousands):

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2013	2012	2013	2012
Net benefit obligation at the end of the year	\$ 468,439	\$ 509,605	\$ 1,307,331	\$ 1,191,345
Fair Value of plan assets at the end of the year	390,777	359,348	982,479	877,950
Under-funded amount recognized at the end of the year	<u>\$ 77,662</u>	<u>\$ 150,257</u>	<u>\$ 324,852</u>	<u>\$ 313,395</u>

The following table presents the accumulated benefit obligation at September 27, 2013 , and September 28, 2012 (segregated between plans existing within and outside the U.S.) (in thousands):

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2013	2012	2013	2012
Accumulated benefit obligation at the end of the year	\$ 431,726	\$ 460,618	\$ 1,222,234	\$ 1,109,413

The following table presents the amounts recognized in the accompanying Consolidated Balance Sheets at September 27, 2013 , and September 28, 2012 (segregated between plans existing within and outside the U.S.) (in thousands):

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2013	2012	2013	2012
Accrued benefit cost included in prepaid assets	\$ —	\$ —	\$ 15,193	\$ 13,174
Accrued benefit cost included in current liabilities	—	—	1,000	2,271
Accrued benefit cost included in noncurrent liabilities	77,662	150,257	339,045	324,298
Net amount recognized at the end of the year	<u>\$ 77,662</u>	<u>\$ 150,257</u>	<u>\$ 324,852</u>	<u>\$ 313,395</u>

Included in the tables are amounts relating to a U.S. pension plan, the participating employees in which are assigned to, and work exclusively on, a specific operating contract with the U.S. federal government. It is the intention of the parties to this contract that the cost of this pension plan will be fully reimbursed by the U.S. federal government pursuant to applicable cost accounting standards. Accordingly, included in “Other Noncurrent Assets” in the accompanying Consolidated Balance Sheet at September 27, 2013 is a receivable from the U.S. federal government of approximately \$58.4 million (\$101.4 million at September 28, 2012) representing the underfunded amount for this pension plan.

The following table presents the significant actuarial assumptions used in determining the funded statuses and the following year's benefit cost of the Company's U.S. plans for each fiscal year presented:

	2013	2012	2011
Weighted average discount rates	4.4% to 5.0%	3.4% to 3.9%	4.3% to 4.6%
Rates of compensation increases	2.80%	3.25%	3.50%
Expected long-term rates of return on plan assets	7.7%	7.5%	7.5%

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The following table presents the significant actuarial assumptions used in determining the funded statuses and the following year's benefit cost of the Company's Non-U.S. pension plans for each fiscal year presented:

	2013	2012	2011
Weighted average discount rates	0.4% to 9.3%	0.6% to 8.4%	2.6% to 5.9%
Rates of compensation increases	2.5% to 7.5%	2.8% to 7.5%	3.0% to 3.5%
Expected long-term rates of return on plan assets	0.4% to 8.5%	2.4% to 8.5%	4.75% to 7.1%

The following table presents certain amounts relating to our U.S. pension plans recognized in accumulated other comprehensive loss at September 27, 2013, and September 28, 2012 (in thousands):

	2013	2012	2011
Arising during the period:			
Net actuarial (gain) loss	\$ (15,850)	\$ 2,756	\$ 7,486
Reclassification adjustments:			
Net actuarial gain	(2,674)	(2,011)	(2,011)
Total	<u>\$ (18,524)</u>	<u>\$ 745</u>	<u>\$ 5,475</u>

The following table presents certain amounts relating to our Non-U.S. pension plans recognized in accumulated other comprehensive loss at September 27, 2013, and September 28, 2012 (in thousands):

	2013	2012	2011
Arising during the period:			
Net actuarial loss (gain)	\$ 27,417	\$ 83,298	\$ (73,258)
Prior service cost (benefit)	297	(1,947)	1,005
Total	27,714	81,351	(72,253)
Reclassification adjustments:			
Net actuarial gain	(9,778)	(6,131)	(4,990)
Prior service cost (benefit)	41	(23)	(1,406)
Total	(9,737)	(6,154)	(6,396)
Total	<u>\$ 17,977</u>	<u>\$ 75,197</u>	<u>\$ (78,649)</u>

The following table presents certain amounts relating to our pension plans recorded in accumulated other comprehensive loss that have not yet been recognized as components of net periodic pension cost at September 27, 2013, and September 28, 2012 (segregated between plans existing within and outside the U.S.) (in thousands):

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2013	2012	2013	2012
Net actuarial loss	\$ 50,446	\$ 68,970	\$ 228,074	\$ 201,726
Prior service cost	—	—	(466)	(803)
Total	<u>\$ 50,446</u>	<u>\$ 68,970</u>	<u>\$ 227,608</u>	<u>\$ 200,923</u>

The following table presents the amount of accumulated comprehensive income that will be amortized against earnings as part of our net periodic pension cost in fiscal 2013 (segregated between plans existing within and outside the U.S.) (in thousands):

	U.S. Pension Plans	Non-U.S. Pension Plans
Unrecognized net actuarial loss	\$ 3,608	\$ 15,527
Unrecognized prior service cost	(103)	(25)
Accumulated comprehensive loss to be recorded against earnings	<u>\$ 3,505</u>	<u>\$ 15,502</u>

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We consider various factors in developing the estimates for the expected, long-term rates of return on plan assets. These factors include the projected, long-term rates of returns on the various types of assets in which the plans invest, as well as historical returns. In general, investment allocations are determined by each plan's trustees and/or investment committees. The objectives of the plans' investment policies are to (i) maximize returns while preserving capital; (ii) provide returns sufficient to meet the current and long-term obligations of the plan as the obligations become due; and (iii) maintain a diversified portfolio of assets so as to reduce the risk associated with having a disproportionate amount of the plans' total assets invested in any one type of asset, issuer or geography. None of our pension plans hold Jacobs common stock directly (although some plans may hold shares indirectly through investments in mutual funds). The plans' weighted average asset allocations at September 27, 2013, and September 28, 2012 (the measurement dates used in valuing the plans' assets and liabilities) were as follows:

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2013	2012	2013	2012
Equity securities	74%	72%	32%	41%
Debt securities	20%	21%	31%	37%
Real estate investments	1%	1%	6%	6%
Other	5%	6%	31%	16%

The following table presents the Fair Value of the Company's U.S. pension plan assets at September 27, 2013, segregated by level of Fair Value measurement inputs within the Fair Value hierarchy promulgated by U.S. GAAP (in thousands):

	Fair Values By Level of Fair Value Measurement Inputs		
	Level 1	Level 3	Total
U.S. Domestic equities	\$ 247,155	\$ —	\$ 247,155
Overseas equities	40,719	—	40,719
U.S. Domestic bonds	79,482	—	79,482
Cash and equivalents	3,499	—	3,499
Real estate	—	4,411	4,411
Hedge funds	—	15,511	15,511
Total	\$ 370,855	\$ 19,922	\$ 390,777

The following table presents the Fair Value of the Company's Non-U.S. pension plan assets at September 27, 2013, segregated by level of Fair Value measurement inputs within the Fair Value hierarchy promulgated by U.S. GAAP (in thousands):

	Fair Values By Level of Fair Value Measurement Inputs		
	Level 1	Level 3	Total
U.S. Domestic equities	\$ 108,261	\$ —	\$ 108,261
Overseas equities	207,607	—	207,607
U.S. Domestic bonds	230,202	—	230,202
Overseas bonds	76,372	—	76,372
Cash and equivalents	28,185	—	28,185
Infrastructure / raw goods	—	7,076	7,076
Real estate	—	57,173	57,173
Insurance contracts	—	21,214	21,214
Hedge funds	—	246,389	246,389
Total	\$ 650,627	\$ 331,852	\$ 982,479

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The following table presents the Fair Value of the Company's U.S. pension plan assets at September 28, 2012, segregated by level of Fair Value measurement inputs within the Fair Value hierarchy promulgated by U.S. GAAP (in thousands):

	Fair Values By Level of Fair Value Measurement Inputs		
	Level 1	Level 3	Total
U.S. Domestic equities	\$ 230,862	\$ —	\$ 230,862
Overseas equities	27,343	—	27,343
U.S. Domestic bonds	75,648	—	75,648
Cash and equivalents	6,183	—	6,183
Real estate	—	4,841	4,841
Hedge funds	—	14,471	14,471
Total	<u>\$ 340,036</u>	<u>\$ 19,312</u>	<u>\$ 359,348</u>

The following table presents the Fair Value of the Company's Non-U.S. pension plan assets at September 28, 2012, segregated by level of Fair Value measurement inputs within the Fair Value hierarchy promulgated by U.S. GAAP (in thousands):

	Fair Values By Level of Fair Value Measurement Inputs		
	Level 1	Level 3	Total
U.S. Domestic equities	\$ 193,715	\$ —	\$ 193,715
Overseas equities	168,097	—	168,097
U.S. Domestic bonds	306,974	—	306,974
Overseas bonds	14,254	—	14,254
Cash and equivalents	27,571	—	27,571
Infrastructure / raw Goods	—	6,111	6,111
Real estate	—	49,537	49,537
Insurance contracts	—	18,291	18,291
Hedge funds	—	93,400	93,400
Total	<u>\$ 710,611</u>	<u>\$ 167,339</u>	<u>\$ 877,950</u>

The following table summarizes the changes in the Fair Value of the Company's U.S. Pension Plans' Level 3 assets for the year ended September 27, 2013 (in thousands):

	Real Estate	Hedge Funds
Balance, beginning of year	\$ 4,841	\$ 14,471
Transfers	—	—
Realized and unrealized gains (losses)	(430)	1,040
Balance, end of year	<u>\$ 4,411</u>	<u>\$ 15,511</u>

The following table summarizes the changes in the Fair Value of the Company's Non-U.S. Pension Plans' Level 3 assets for the year ended September 27, 2013 (in thousands):

	Infrastructure / Raw Goods	Real Estate	Insurance Contracts	Hedge Funds
Balance, beginning of year	\$ 6,111	\$ 49,537	\$ 18,291	\$ 93,400
Purchases, sales, and settlements	—	—	1,646	144,441
Realized and unrealized gains	678	7,670	1,058	4,664
Effect of exchange rate changes	287	(34)	219	3,884
Balance, end of year	<u>\$ 7,076</u>	<u>\$ 57,173</u>	<u>\$ 21,214</u>	<u>\$ 246,389</u>

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The following table summarizes the changes in the Fair Value of the Company's U.S. Pension Plans' Level 3 assets for the year ended September 28, 2012 (in thousands):

	Real Estate	Hedge Funds
Balance, beginning of year	\$ 5,353	\$ 14,845
Transfers	—	—
Realized and unrealized losses	(512)	(374)
Balance, end of year	<u>\$ 4,841</u>	<u>\$ 14,471</u>

The following table summarizes the changes in the Fair Value of the Company's Non-U.S. Pension Plans' Level 3 assets for the year ended September 28, 2012 (in thousands):

	Infrastructure / Raw Goods	Real Estate	Insurance Contracts	Hedge Funds
Balance, beginning of year	\$ 4,776	\$ 43,997	\$ 17,293	\$ 81,776
Purchases, sales, and settlements	—	106	389	—
Realized and unrealized gains	1,572	3,836	1,422	7,975
Transfers	—	—	—	—
Effect of exchange rate changes	(237)	1,598	(813)	3,649
Balance, end of year	<u>\$ 6,111</u>	<u>\$ 49,537</u>	<u>\$ 18,291</u>	<u>\$ 93,400</u>

The following table presents the amount of cash contributions we anticipate making into the plans during fiscal 2014 (in thousands):

U.S. Pension Plans	Non-U.S. Pension Plans
\$ 12,500	\$ 53,561

The following table presents the total benefit payments expected to be paid to pension plan participants during each of the next five fiscal years, and in total for the five years thereafter (in thousands):

	U.S. Pension Plans	Non-U.S. Pension Plans
2014	\$ 39,259	\$ 39,298
2015	36,319	41,989
2016	38,455	46,714
2017	41,162	49,767
2018	38,808	54,413
For the period 2019 through 2023	204,246	344,800

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
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The following table presents the components of net periodic pension cost for the Company's U.S. pension plans recognized in the accompanying Consolidated Statements of Earnings for each of the last three fiscal years (in thousands):

	2013	2012	2011
Service cost	\$ 13,814	\$ 12,838	\$ 10,684
Interest cost	18,569	20,923	21,377
Expected return on plan assets	(25,826)	(23,764)	(23,558)
Actuarial loss	8,030	10,981	7,025
Prior service cost	(103)	(103)	(103)
Net pension cost, before special items	14,484	20,875	15,425
Special termination benefits	29	—	120
Settlement loss	—	6,035	—
Total net periodic pension cost recognized	\$ 14,513	\$ 26,910	\$ 15,545

The following table presents the components of net periodic pension cost for the Company's Non-U.S. pension plans recognized in the accompanying Consolidated Statements of Earnings for each of the last three fiscal years (in thousands):

	2013	2012	2011
Service cost	\$ 30,117	\$ 22,723	\$ 30,816
Interest cost	51,331	54,287	54,631
Expected return on plan assets	(54,817)	(50,996)	(50,033)
Actuarial loss	13,276	8,227	13,535
Prior service cost	(43)	152	303
Net pension cost, before special items	39,864	34,393	49,252
Curtailments and settlements	(383)	1,326	381
Total net periodic pension cost recognized	\$ 39,481	\$ 35,719	\$ 49,633

Multiemployer Plans

In Canada and the U.S. we contribute to various trustee pension plans covering hourly construction employees under industry-wide agreements. We also contribute to various trustee plans in Australia and certain countries in Europe covering both hourly and certain salaried employees. Contributions are based on the hours worked by employees covered under these agreements and are charged to direct costs of contracts on a current basis.

The majority of the contributions the Company makes to multiemployer pension plans is outside the U.S. With respect to these multiemployer plans, the Company's liability to fund these plans is generally limited to the contributions we are required to make under collective bargaining agreements.

Based on our review of our multiemployer pension plans under the guidance provided in ASU 2011-09— *Compensation-Retirement Benefits-Multiemployer Plans*, we have concluded that none of the multiemployer pension plans into which we contribute are individually significant to our consolidated financial statements.

The following table presents the Company's contributions to these multiemployer plans during each of the last three fiscal years (in thousands):

	2013	2012	2011
Canada	\$ 72,660	\$ 72,053	\$ 81,608
Europe and Australia	12,930	10,808	12,613
United States	4,366	4,420	4,049
Total	\$ 89,956	\$ 87,281	\$ 98,270

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. Other Comprehensive Income

The following table presents amounts reclassified from changes in pension liabilities in other comprehensive income to direct cost of contracts and selling, general and administrative expenses in the Company's Consolidated Statements of Earnings for the periods presented related to the Company's defined benefit pension plans (in thousands):

	2013	2012	2011
Amortization of Defined Benefit Items:			
Actuarial losses	\$ (17,554)	\$ (11,444)	\$ (16,182)
Prior service benefit (cost)	43	(152)	(97)
Total Before Income Tax	(17,511)	(11,596)	(16,279)
Income Tax Benefit	5,859	3,955	5,716
Total reclassifications after-tax	<u>\$ (11,652)</u>	<u>\$ (7,641)</u>	<u>\$ (10,563)</u>

8. Savings and Deferred Compensation Plans

Savings Plans

We sponsor various defined contribution savings plans which allow participants to make voluntary contributions by salary deduction. Such plans cover substantially all of our domestic, nonunion employees in the U.S. and are qualified under Section 401(k) of the U.S. IRC. Similar plans outside the U.S. cover various groups of employees of our international subsidiaries and affiliates. Several of these plans allow the Company to match, on a voluntary basis, a portion of the employee contributions. The following table presents the Company's contributions to these savings plans during each of the last three fiscal years (in thousands):

2013	2012	2011
\$ 74,686	\$ 70,211	\$ 61,065

Deferred Compensation Plans

Our Executive Security Plan and Executive Deferral Plans are nonqualified deferred compensation programs that provide benefits payable to directors, officers, and certain key employees or their designated beneficiaries at specified future dates, upon retirement, or death. Benefit payments under both plans are funded by a combination of contributions from participants and the Company, and most of the participants are covered by life insurance policies with the Company designated as the beneficiary. The following table presents the amount charged to expense for the Company's deferred compensation plans during each of the last three fiscal years (in thousands):

2013	2012	2011
\$ 4,470	\$ 4,349	\$ 3,075

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
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9. Income Taxes

The following table presents the components of our consolidated income tax expense for each of the last three fiscal years (in thousands):

	2013	2012	2011
Current income tax expense:			
Federal	\$ 121,302	\$ 111,035	\$ 102,903
State	23,246	23,303	25,067
Foreign	74,107	69,080	37,617
Total current tax expense	218,655	203,418	165,587
Deferred income tax expense (benefit):			
Federal	(4,718)	(2,505)	10,482
State	(582)	(1,985)	(1,760)
Foreign	8,011	3,454	7,131
Total deferred income tax expense (benefit)	2,711	(1,036)	15,853
Consolidated income tax expense	\$ 221,366	\$ 202,382	\$ 181,440

Deferred taxes reflect the tax effects of the differences between the amounts recorded as assets and liabilities for financial reporting purposes and the comparable amounts recorded for income tax purposes. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The following table presents the components of our net deferred tax assets at September 27, 2013, and September 28, 2012 (in thousands):

	2013	2012
Deferred tax assets:		
Obligations relating to:		
Defined benefit pension plans	\$ 97,349	\$ 103,984
Other employee benefit plans	198,869	173,515
Self-insurance programs	1,758	10,847
Contract revenues and costs	19,468	39,894
Other	11,100	10,749
Gross deferred tax assets	328,544	338,989
Deferred tax liabilities:		
Depreciation and amortization	(127,974)	(125,704)
Residual US tax on unremitted non-US earnings	(6,724)	(9,024)
Other, net	(7,560)	(10,709)
Gross deferred tax liabilities	(142,258)	(145,437)
Net deferred tax assets	\$ 186,286	\$ 193,552

The following table presents the income tax benefits realized from the exercise of nonqualified stock options and disqualifying dispositions of stock sold under our employee stock purchase plans during each of the last three fiscal years (in millions):

2013	2012	2011
\$ 7.3	\$ 9.3	\$ 11.9

JACOBS ENGINEERING GROUP INC. AND SUBSIDIARIES
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The following table reconciles total income tax expense using the statutory U.S. federal income tax rate to the consolidated income tax expense shown in the accompanying Consolidated Statements of Earnings for each of the last three fiscal years (dollars in thousands):

	2013	2012	2011
Statutory amount	\$ 231,542	\$ 207,668	\$ 180,831
State taxes, net of the federal benefit	14,892	13,538	15,150
Tax differential on foreign earnings	(18,700)	(16,667)	(7,841)
Other, net	(6,368)	(2,157)	(6,700)
Consolidated income tax expense	<u>\$ 221,366</u>	<u>\$ 202,382</u>	<u>\$ 181,440</u>
Rates used to compute statutory amount	<u>35.0%</u>	<u>35.0%</u>	<u>35.0%</u>
Consolidated effective income tax rate	<u>33.5%</u>	<u>34.1%</u>	<u>35.1%</u>

The following table presents income tax payments made during each of the last three fiscal years (in millions):

2013	2012	2011
\$ 235.8	\$ 191.4	\$ 139.2

The following table presents the components of our consolidated earnings before taxes for each of the last three fiscal years (in thousands):

	2013	2012	2011
United States earnings	\$ 352,404	\$ 286,987	\$ 341,059
Foreign earnings	309,144	306,349	175,602
	<u>\$ 661,548</u>	<u>\$ 593,336</u>	<u>\$ 516,661</u>

United States income taxes, net of applicable credits, have been provided on the undistributed earnings of the Company's foreign subsidiaries, except in those instances where the earnings are expected to be permanently reinvested. At September 27, 2013, approximately \$26.1 million of such undistributed earnings of certain foreign subsidiaries was expected to be permanently reinvested. Should these earnings be repatriated, approximately \$7.7 million of income taxes would be payable.

The Company accounts for unrecognized tax benefits in accordance with ASC Topic 740. It accounts for interest and penalties on unrecognized tax benefits as interest and penalties (i.e., not as part of income tax expense). The Company's liability for gross unrecognized tax benefits was \$51.8 million and \$53.6 million at September 27, 2013, and September 28, 2012, respectively, all of which, if recognized, would affect the Company's consolidated effective income tax rate. The Company had \$44.8 million and \$48.8 million in accrued interest and penalties at September 27, 2013, and September 28, 2012, respectively. The Company estimates that, within 12 months, \$5.0 million of gross, primarily non-U.S. unrecognized tax benefits will reverse due to the anticipated expiration of time to assess tax. As of September 27, 2013, the Company's U.S. federal income tax returns for tax years 2010 through 2013 remain subject to examination.

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The following table presents the reconciliation of the beginning and ending amount of unrecognized tax benefits for the years presented (in thousands):

	2013	2012	2011
Balance, beginning of year	\$ 53,637	\$ 31,130	\$ 27,825
Additions based on tax positions related to the current year	5,447	6,110	6,731
Additions for tax positions of prior years	—	21,438	4,252
Reductions for tax positions of prior years	(6,354)	(4,441)	(7,678)
Settlement	(960)	(600)	—
Balance, end of year	<u>\$ 51,770</u>	<u>\$ 53,637</u>	<u>\$ 31,130</u>

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

10. Commitments and Contingencies, and Derivative Financial Instruments

Commitments Under Operating Leases

We lease certain of our facilities and equipment under operating leases with net aggregate future lease payments of approximately \$909.8 million at September 27, 2013, payable as follows (in thousands):

In fiscal years,		
2014	\$	150,448
2015		177,493
2016		118,984
2017		99,942
2018		83,884
Thereafter		288,944
		<hr/> 919,695
Amounts representing sublease income		(9,937)
Total, net aggregate future lease payments	\$	<hr/> <hr/> 909,758

We recognize rent expense, inclusive of landlord concessions and tenant allowances, over the lease term on a straight-line basis. We also recognize rent expense on a straight-line basis for leases containing fixed escalation clauses and rent holidays. Contingent rentals are included in rent expense as accruable. Operating leases relating to many of our major offices generally contain renewal options, and provide for additional rental based on escalation in operating expenses and real estate taxes.

The following table presents rent expense and sublease income offsetting the Company's rent expense during each of the last three fiscal years (in thousands):

	2013	2012	2011
Rent expense	\$ 173,340	\$ 165,221	\$ 157,955
Sublease income	(7,914)	(8,402)	(8,315)
Net rent	<hr/> \$ 165,426	<hr/> \$ 156,819	<hr/> \$ 149,640

Guarantee

We are party to a synthetic lease agreement involving certain real and personal property located in Houston, Texas that we use in our operations. A synthetic lease is a type of off-balance sheet transaction which provides us with certain tax and other financial benefits. Significant terms of the lease are as follows:

End of lease term	2015
End of term purchase option (in thousands)	\$ 52,200
Residual value guaranty (in thousands)	\$ 38,800

The lease agreement gives us the right to request an extension of the lease term. We may also assist the owner in selling the property at the end of the lease term, the proceeds from which would be used to reduce our residual value guarantee. In connection with the lease, we entered into a floating-to-fixed interest rate swap agreement with a U.S. bank which fixes the amount of the Company's lease payments. The notional amount of this hedge at September 27, 2013, was \$52.2 million. This instrument allows us to receive a floating rate payment tied to the 1-month LIBOR from the counterparty in exchange for a fixed-rate payment from us. We've determined this interest rate swap to be "highly effective" according to U.S. GAAP. The minimum lease payments required by the lease agreement is included in the above lease pay-out schedule. We have determined that the estimated Fair Value of the aforementioned financial guarantee was not significant at September 27, 2013.

Derivative Financial Instruments

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

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

Letters of Credit

Letters of credit outstanding at September 27, 2013 totaled \$243.3 million . Of this amount \$10.8 million has been issued under our revolving credit facility and \$232.5 million are issued under separate, committed and uncommitted letter-of-credit facilities.

11. Contractual Guarantees, Litigation, Investigations, and Insurance

In the normal course of business, we are subject to certain contractual guarantees and litigation. The guarantees to which we are a party generally relate to project schedules and plant performance. Most of the litigation in which we are involved has us as a defendant in workers' compensation; personal injury; environmental; employment/labor; professional liability; and other similar lawsuits.

We maintain insurance coverage for various aspects of our business and operations. Our insurance programs have varying coverage limits and maximums, and insurance companies may seek to not pay any claims we might make. We have also elected to retain a portion of losses that occur through the use of various deductibles, limits, and retentions under our insurance programs. As a result, we may be subject to future liability for which we are only partially insured or completely uninsured. We intend to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of our contracts. 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 and several of its agencies, we are subject to many levels of audits, investigations, and claims by, or on behalf of, the U.S. federal government with respect to our contract performance, pricing, costs, cost allocations, and procurement practices. Furthermore, our income, franchise, and similar tax returns and filings are also subject to audit and investigation by the Internal Revenue Service, most states within the U.S. as well as by various government agencies representing jurisdictions outside the U.S.

We record in our Consolidated Balance Sheets amounts representing our estimated liability relating to such claims, guarantees, litigation, and 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, and for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to our claims administrators as of the respective balance sheet dates. We include any adjustments to such insurance reserves in our consolidated results of operations.

Management 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 any material adverse effect on our consolidated financial statements.

On January 20, 2010 , Clark County Nevada ("Clark County") filed suit against Jacobs and two of its subsidiaries asserting claims arising out of certain construction projects to which Clark County Nevada was the owner and for which Jacobs' subsidiaries served as the project management consultant. Clark County's lawsuit against Jacobs followed years of litigation and arbitration between Clark County and its construction contractor on the applicable projects which had ended unsuccessfully for Clark County and resulted in Clark County paying more than \$60 million in settlement and awards. Jacobs denies liability and has vigorously defended against the County's claims. In September 2012 , the parties agreed to dismiss the litigation in U.S. District Court and proceed, in lieu thereof, in arbitration before three arbitrators. A hearing on the merits was scheduled to begin in September 2013 . Prior to the arbitration, the case settled. Even though some of our insurers have contested coverage, the Company does not expect this matter to have any material adverse effect on its consolidated financial statements.

The Company is a defendant in numerous matters pending in North Carolina's Superior Courts arising out of a June 9, 2009, natural gas explosion at a ConAgra Foods Inc. plant in Garner, Wake County, North Carolina. The claims that have been brought against the Company include wrongful death claims, personal injury claims and a claim for property losses to the plant property itself. The Company has settled many of the personal injury claims and is vigorously defending the remaining claims and believes it has meritorious defenses. In addition, the Company believes it has adequate insurance coverage as well as a right to indemnification from ConAgra. Accordingly, the Company does not expect these matters to have any material adverse effect on its consolidated financial statements.

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

12. Common and Preferred Stock

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

13. Other Financial Information

Receivables

The following table presents the components of “Receivables” as shown in the accompanying Consolidated Balance Sheets at September 27, 2013, and September 28, 2012 as well as certain other related information (in thousands):

	2013	2012
Amounts billed, net	\$ 1,389,278	\$ 1,193,500
Unbilled receivables and other	1,109,931	1,110,008
Retentions receivable	49,781	45,384
Total receivables, net	\$ 2,548,990	\$ 2,348,892
Other information about receivables:		
Amounts due from the United States federal government included above, net of advanced billings	\$ 292,698	\$ 294,327
Claims receivable	\$ 25,237	\$ 26,309

Billed receivables, 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 retentions receivable represent reimbursable costs and amounts earned and reimbursable under contracts in progress as of the respective balance sheet dates. Such amounts become billable according to the contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project. We anticipate that substantially all of such unbilled amounts will be billed and collected over the next twelve months.

Claims receivable are included in “Receivables” in the accompanying Consolidated Balance Sheets and represent certain costs incurred on contracts to the extent it is probable that such claims will result in additional contract revenue and the amount of such additional revenue can be reliably estimated.

Property, Equipment, and Improvements, Net

The following table presents the components of our property, equipment, and improvements, net at September 27, 2013, and September 28, 2012 (in thousands):

	2013	2012
Land	\$ 22,027	\$ 23,786
Buildings	131,690	136,193
Equipment	537,835	502,568
Leasehold improvements	204,940	163,916
Construction in progress	22,678	29,595
	919,170	856,058
Accumulated depreciation and amortization	(539,874)	(524,927)
	\$ 379,296	\$ 331,131

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

Miscellaneous Noncurrent Assets

The following table presents the components of “Miscellaneous noncurrent assets” as shown in the accompanying Consolidated Balance Sheets at September 27, 2013, and September 28, 2012 (in thousands):

	2013	2012
Deferred income taxes	\$ 197,458	\$ 196,620
Cash surrender value of life insurance policies	100,253	86,502
Intangible assets (a)	217,904	243,762
Investments	194,782	187,248
Notes receivable	11,689	11,128
Reimbursable pension costs (b)	84,348	132,463
Other	26,025	28,162
Total	<u>\$ 832,459</u>	<u>\$ 885,885</u>

- (a) Consists primarily of intangible assets acquired in connection with various business combinations.
- (b) Consists of costs incurred relating to a defined benefit pension plan covering employees providing services on a contract with, and for the benefit of, the U.S. federal government pursuant to which such costs are fully reimbursable.

Accrued Liabilities

The following table presents the components of “Accrued liabilities” as shown in the accompanying Consolidated Balance Sheets at September 27, 2013 and September 28, 2012 (in thousands):

	2013	2012
Accrued payroll and related liabilities	\$ 688,391	\$ 641,340
Project-related accruals	115,418	196,836
Insurance liabilities	48,209	63,908
Sales and other similar taxes	47,973	41,951
Deferred rent	57,581	41,342
Other	72,244	76,592
Total	<u>\$ 1,029,816</u>	<u>\$ 1,061,969</u>

Other Deferred Liabilities

The following table presents the components of “Other deferred liabilities” as shown in the accompanying Consolidated Balance Sheets at September 27, 2013 and September 28, 2012 (in thousands):

	2013	2012
Liabilities relating to defined benefit pension and early retirement plans	\$ 416,707	\$ 474,555
Liabilities relating to nonqualified deferred compensation arrangements	101,653	92,618
Deferred income taxes	142,258	145,437
Miscellaneous	62,486	83,728
Total	<u>\$ 723,104</u>	<u>\$ 796,338</u>

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

Total Accumulated Other Comprehensive Loss

The following table presents the components of “Total accumulated other comprehensive loss” as shown in the accompanying Consolidated Balance Sheets at September 27, 2013 , and September 28, 2012 (in thousands):

	2013	2012
Foreign currency translation adjustments	\$ (32,853)	\$ (9,149)
Adjustments relating to defined benefit pension plans	(269,345)	(269,892)
Other	(1,929)	(2,846)
Total	<u>\$ (304,127)</u>	<u>\$ (281,887)</u>

Supplemental Cash Flow Information

During fiscal 2013 and fiscal 2012 , the Company acquired businesses for cash and stock of \$39.4 million and \$91.6 million , respectively. The following table presents the non-cash adjustments relating to these acquisitions made in preparing the accompanying Consolidated Statements of Cash Flows (in thousands):

	2013	2012
Working capital	\$ 4,197	\$ 9,937
Property and equipment	386	3,378
Noncurrent assets	—	17,591
Deferred liabilities	2,181	(8,177)
Non-controlling interests	18,589	40
Foreign currency translation	(3,461)	21
Goodwill	17,537	68,785

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

14. Segment Information

We provide a broad range of technical, professional, and construction services including engineering, design, and architectural services; construction and construction management services; operations and maintenance services; and process, scientific, and systems consulting services. We provide our services through offices and subsidiaries located primarily in North America, South America, Europe, the Middle East, India, Australia, Africa, and Asia. We provide our services under cost-reimbursable and fixed-price contracts.

All of our operations share similar economic characteristics. For example, all of our operations are highly influenced by the general availability of qualified engineers and other technical professional staff. They also provide similar services as well as share similar processes for delivering our services. There is also a high degree of similarity of the workforces employed among the various categories of services we provide. For example, engineering and design services (i.e., services provided by persons who are degreed, and in certain circumstances licensed, professionals such as engineers, architects, scientists, and economists) exist in all four service categories. In addition, there is a high degree of similarity among a significant component of the workforces we employ to perform construction and operations and maintenance projects. In providing construction and operations and maintenance services, we employ a large number of skilled craft labor personnel. These include welders, pipe fitters, electricians, crane operators, and other personnel who work on very large capital projects (in the case of projects classified within the construction services category) or on smaller capital projects (in the case of maintenance projects classified within the operations and maintenance services category). In addition, the use of technology is highly similar and consistent throughout our organization, as is our client base (with the exception of our operations outside the U.S., which perform very little work for the U.S. federal government), and our quality assurance and safety programs. Furthermore, the types of information and internal reports used by the Company's chief operating decision maker and other members of management to monitor performance, evaluate results of operations, allocate resources, and otherwise manage the business support a single reportable segment. Accordingly, based on these operational similarities and the way management monitors the Company's results of operations, we have concluded that our operations may be aggregated into one reportable segment for purposes of this disclosure.

The following table presents certain financial information by geographic area for fiscal 2013, 2012, and 2011 (in thousands):

	2013	2012	2011
Revenues:			
United States	\$ 6,993,594	\$ 6,749,583	\$ 6,435,078
Europe	2,148,504	1,681,421	1,649,678
Canada	1,652,386	1,564,883	1,656,487
Asia	204,203	156,748	102,272
India	158,908	124,362	103,842
Australia	141,507	253,932	194,560
South America and Mexico	241,590	158,141	109,520
Middle East and Africa	277,684	204,708	130,227
Total	<u>\$ 11,818,376</u>	<u>\$ 10,893,778</u>	<u>\$ 10,381,664</u>
Long-Lived Assets:			
United States	\$ 230,281	\$ 203,746	\$ 169,914
Europe	47,128	46,763	49,372
Canada	61,122	47,539	42,496
Asia	4,272	3,580	1,653
India	15,049	17,094	16,831
Australia	8,329	7,859	1,040
South America and Mexico	6,159	2,400	1,533
Middle East and Africa	6,956	2,150	1,794
Total	<u>\$ 379,296</u>	<u>\$ 331,131</u>	<u>\$ 284,633</u>

Revenues were earned from unaffiliated clients located primarily within the various and respective geographic areas shown. Long-lived assets consist of property and equipment, net of accumulated depreciation and amortization.

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

The following table presents the revenues earned directly or indirectly from the U.S. federal government and its agencies, expressed as a percentage of total revenues, for fiscal 2013 , 2012 , and 2011 :

2013	2012	2011
19.9	22.1	24.4

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

15. Selected Quarterly Information — Unaudited

The following table presents selected quarterly financial information for each of the last three fiscal years. Amounts are presented in thousands, except for per share amounts:

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Fiscal Year</u>
<u>2013</u>					
Revenues	\$ 2,759,641	\$ 2,835,084	\$ 3,080,995	\$ 3,142,656	\$ 11,818,376
Operating profit (a)	160,269	165,203	168,359	175,148	668,979
Earnings before taxes	156,311	161,908	168,423	174,906	661,548
Net earnings of the Group	104,523	107,089	112,089	116,481	440,182
Net earnings attributable to Jacobs	99,010	104,401	108,871	110,811	423,093
Earnings per share:					
Basic	0.77	0.81	0.84	0.85	3.27
Diluted	0.76	0.80	0.83	0.84	3.23
<u>2012</u>					
Revenues	\$ 2,631,768	\$ 2,702,851	\$ 2,772,874	\$ 2,786,285	\$ 10,893,778
Operating profit (a)	141,952	133,138	153,366	167,617	596,073
Earnings before taxes	139,554	132,315	151,371	170,096	593,336
Net earnings of the Group	91,436	87,446	100,990	111,082	390,954
Net earnings attributable to Jacobs	89,710	83,933	97,900	107,411 (b)	378,954 (b)
Earnings per share:					
Basic	0.71	0.66	0.77	0.84 (b)	2.97 (b)
Diluted	0.70	0.65	0.76	0.83 (b)	2.94 (b)
<u>2011</u>					
Revenues	\$ 2,356,175	\$ 2,558,016	\$ 2,744,178	\$ 2,723,295	\$ 10,381,664
Operating profit (a)	103,619	128,015	139,380	147,904	518,918
Earnings before taxes	103,723	126,481	141,301	145,156	516,661
Net earnings of the Group	66,697	81,341	91,936	95,247	335,221
Net earnings attributable to Jacobs	65,823	80,250	90,676	94,280	331,029
Earnings per share:					
Basic	0.53	0.64	0.72	0.75	2.63
Diluted	0.52	0.63	0.71	0.74	2.60

(a) Operating profit represents revenues less (i) direct costs of contracts, and (ii) selling, general and administrative expenses.

(b) Includes a one-time, after-tax gain of \$4.0 million , or \$0.03 per diluted share, related to the sale of the Company's intellectual property for iron ore pelletizing and certain other related assets.

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

16. Definitions

The following terms used in the accompanying Consolidated Financial Statements and these Notes to Consolidated Financial Statements have the meanings set forth below:

“1989 ESPP” means the Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan, as amended. The 1989 ESPP is a shareholder-approved, broad-based, employee stock purchase plan qualified under Section 423 of the U.S. IRC.

“1999 ODSP” means the Jacobs Engineering Group Inc. 1999 Outside Director Stock Plan, as amended. The 1999 ODSP is a shareholder-approved, equity-based compensation plan covering Jacobs' non-management directors.

“1999 SIP” means the Jacobs Engineering Group Inc. Stock Incentive Plan, as amended. The 1999 SIP is a shareholder-approved, equity-based compensation plan covering the Company's officers and key employees.

“ASC” refers to the Accounting Standards Codification as maintained by the FASB. The ASC is the primary source of U.S. GAAP to be applied by the Company and all other nongovernmental entities. The ASC organizes and presents hundreds of previously separate pieces of authoritative accounting guidance into a single on-line research database. The accounting principles promulgated by the ASC are organized therein by broad topics, and is updated by the FASB through the issuances of ASUs.

“ASU” means Accounting Standards Updates, the primary means by which the ASC is updated by the FASB.

“Company” (including “we”, “us” or “our”) means Jacobs Engineering Group Inc. and its consolidated subsidiaries and affiliates.

“Consolidated EBITDA” generally means consolidated net earnings attributable to Jacobs, plus consolidated (i) interest expense, (ii) tax expense, and (iii) depreciation and amortization expense (including amortization expense relating to intangible assets).

“Consolidated Funded Indebtedness” generally means the sum of (i) the balances outstanding under all loan, credit, and similar agreements for borrowed money (including purchase money indebtedness), (ii) all amounts representing direct obligations arising under letters of credit, (iii) indebtedness in respect of capital leases and similar financing arrangements, and (iv) the value of all guarantees issued with respect to the types of indebtedness described in (i) through (iii).

“Consolidated Leverage Ratio” means, as of any date of determination, the ratio of (i) the Company's “Consolidated Funded Indebtedness” as of such date to (ii) the Company's “Consolidated EBITDA” for the immediately preceding four consecutive fiscal quarters.

“EPS” means earnings-per-share. “Basic EPS” is computed by dividing the consolidated net earnings attributable to Jacobs by the weighted average number of shares of common stock outstanding during the period. “Diluted EPS” is computed in a manner similar to the computation of Basic EPS, but gives effect to all dilutive securities that were outstanding during the period. Our dilutive securities consist of nonqualified stock options and restricted stock (including restricted stock units)

“Fair Value” means 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 (i.e., the “measurement date”). When determining fair value, U.S. GAAP requires that we consider the principal or most advantageous market in which we would transact any sale or purchase. U.S. GAAP also requires that the inputs (factors) we use (consider) to determine fair value be considered in the following order of priority:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are 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 (i.e., 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; and
- Level 3 inputs are unobservable inputs to the valuation methodology that are significant to the fair value measurement.

“FASB” means the Financial Accounting Standards Board. The FASB is the designated organization within the U.S. for establishing standards of financial accounting that govern the preparation of financial reports by nongovernmental entities.

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

“GESPP” means the Jacobs Engineering Group Inc. Global Employee Stock Purchase Plan, as amended. The GESPP is a shareholder-approved, broad-based, employee stock purchase plan covering employees of certain of Jacobs' non-U.S. subsidiaries.

“Group” refers to the combined economic interests and activities of Jacobs and the persons and entities holding noncontrolling interests in the subsidiaries and affiliates that are consolidated into the accompanying Consolidated Financial Statements.

“Jacobs” means Jacobs Engineering Group Inc.

“U.S. GAAP” means those accounting principles and practices generally accepted in the United States.

“U.S. IRC” means the U.S. Internal Revenue Code of 1986, as amended.

“VIE” means a “Variable Interest Entity” as defined in U.S. GAAP. A VIE is a legal entity in which equity investors do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack any one of the following three characteristics: (i) the power, through voting rights or similar rights, to direct the activities of a legal entity that most significantly impact the entity's economic performance; (ii) the obligation to absorb the expected losses of the legal entity; or (iii) the right to receive the expected residual returns of the legal entity. Accordingly, entities issuing consolidated financial statements (i.e., a “reporting entity”) shall consolidate a VIE if the reporting entity has a “controlling financial interest” in the VIE, as demonstrated by the reporting entity having both (i) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance; and (ii) the right to receive benefits from the VIE that could potentially be significant to the VIE or the obligation to absorb losses of the VIE that could potentially be significant to the VIE.

**Report of Ernst & Young LLP
Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
Jacobs Engineering Group Inc.

We have audited the accompanying consolidated balance sheets of Jacobs Engineering Group Inc. and subsidiaries as of September 27, 2013 and September 28, 2012, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the three fiscal years in the period ended September 27, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jacobs Engineering Group Inc. and subsidiaries at September 27, 2013 and September 28, 2012, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended September 27, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Jacobs Engineering Group Inc. and subsidiaries' internal control over financial reporting as of September 27, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 22, 2013 expressed an unqualified opinion thereon.

/S/ Ernst & Young LLP
Los Angeles, California
November 22, 2013

**Report of Ernst & Young LLP
Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders
Jacobs Engineering Group Inc.

We have audited Jacobs Engineering Group Inc. and subsidiaries' internal control over financial reporting as of September 27, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Jacobs Engineering Group Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Jacobs Engineering Group Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 27, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Jacobs Engineering Group Inc. and subsidiaries as of September 27, 2013 and September 28, 2012 and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the three fiscal years in the period ended September 27, 2013 of Jacobs Engineering Group Inc. and subsidiaries and our report dated November 22, 2013 expressed an unqualified opinion thereon.

/S/ Ernst & Young LLP
Los Angeles, California
November 22, 2013



Merger Implementation Deed

Jones Day
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Sydney NSW 2000
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EXPLANATORY NOTE TO THIS EXHIBIT

Following the execution of the Merger Implementation Deed, the parties agreed to certain immaterial amendments thereto (memorialized in an Amendment Deed executed by the parties) which are reflected in this exhibit.

Dated 8 September 2013

Parties

Sinclair Knight Merz Management Pty Limited ACN 087 978 970 of 100 Christie Street, St Leonards NSW 2065, Australia (**SKMM**)

Sinclair Knight Merz Holdings Limited ACN 001 024 102 of 100 Christie Street, St Leonards NSW 2065, Australia (**SKMH**)

Jacobs Engineering Group Inc. of 155 North Lake Avenue, Pasadena, CA 91101 USA (**Jacobs Guarantor**)

Jacobs Australia Holdings Company Pty. Ltd. ACN 165 641 592 of Level 6, 600 St Kilda Rd, Melbourne, 3004 Australia (**Jacobs**)

Background

- A. The parties have agreed that Jacobs will acquire SKMM and SKMH by means of the Schemes.
- B. The parties have agreed to implement the Schemes on the terms of this Deed.
- C. Jacobs Guarantor has agreed to guarantee the performance by Jacobs of the Guaranteed Obligations.

Agreed terms

1. DEFINITIONS AND INTERPRETATION

The meanings of the terms used in this Deed are set out in Schedule 1.

2. AGREEMENT TO PROCEED WITH MERGER

- (a) Each SKM Party agrees to propose the Schemes on and subject to the terms of this Deed.
- (b) Jacobs agrees to assist the SKM Parties to propose the Schemes on and subject to the terms of this Deed.
- (c) The Schemes are inter-conditional. If either Scheme does not become Effective, the other Scheme will not proceed.

3. CONDITIONS PRECEDENT

3.1 Conditions Precedent to the Schemes

Each of the Schemes is wholly conditional upon and will not become Effective unless the following conditions precedent are satisfied or waived (where capable of waiver) by the date and time specified:

- (a) (**FIRB approval**) – before 8.00 am on the Second Court Date:
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- (i) the Treasurer of the Commonwealth of Australia or his agent has provided written advice or confirmation which is unconditional, or subject only to conditions acceptable to Jacobs (acting reasonably), to the effect that there is no objection to the Merger; or
 - (ii) the Treasurer of the Commonwealth of Australia becomes or is precluded from making an order prohibiting the *Merger under the Foreign Acquisitions and Takeovers Act 1975* (Cth);
- (b) **(Regulatory Approval)** - before 8.00 am on the Second Court Date, either:
- (i) the Regulatory Approval has been obtained (either unconditionally or subject only to conditions acceptable to the SKM Parties and Jacobs (in each case, acting reasonably provided that such conditions only impose procedural or other nonmaterial requirements incidental to that approval)) and the Regulatory Approval has not been withdrawn, cancelled or revoked; or
 - (ii) an alternate means of accomplishing the escrow arrangements under the Transaction Documents acceptable to the SKM Parties and Jacobs (in each case, acting reasonably) has been implemented;
- (c) **(Shareholder approval)** – before 8.00 am on the Second Court Date, the requisite majorities of SKMM Shareholders and SKMH Shareholders approve:
- (i) the EGM Resolution at the EGM; and
 - (ii) the Schemes at the Scheme Meetings;
- (d) **(Court approval)** – the Court approves each of the Schemes in accordance with Section 411(4)(b) of the Corporations Act;
- (e) **(Restraints)** – no Government Agency takes any action, or imposes any legal restraint or prohibition, to prevent the implementation of the Merger, which remains in force at 8.00 am on the Second Court Date;
- (f) **(No SKM Prescribed Occurrence)** – no SKM Prescribed Occurrence occurs between the Operative Date and 8.00 am on the Second Court Date;
- (g) **(No Jacobs Prescribed Occurrence)** – no Jacobs Prescribed Occurrence occurs between the Operative Date and 8.00 am on the Second Court Date;
- (h) **(No SKM Material Adverse Event)** – no SKM Material Adverse Event occurs between the Operative Date and 8.00 am on the Second Court Date;
- (i) **(No SKM Regulated Event)** – no SKM Regulated Event occurs between the Operative Date and 8.00 am on the Second Court Date;
- (j) **(Adjustment Statements)** – (i) each of the Fundamental Adjustment Statements is true, accurate and not misleading (except as fairly and accurately disclosed in the Disclosure Letter) as at the Operative Date and as at 8.00 am on the Second Court Date and (ii) no SKM Material Adverse Event has occurred or would occur as a result of the Adjustment Statements (other than the Fundamental Adjustment Statements) being untrue, inaccurate or misleading as at the Operative Date and as at 8.00 am on the Second Court Date;
- (k) **(No Leakage Material Adverse Event)** – no Leakage Material Adverse Event has occurred between the Operative Date and 8.00 am on the Second Court Date;
- (l) **(Specified Insurance Policies)** – as at 8.00 am on the Second Court Date, all the Specified Insurance Policies are legally binding and valid;

- (m) **(NZ Call Option)** – prior to the voting record date for the SKMH Scheme Meeting, the NZ Call Option has been exercised and completed such that all SKM NZ Shareholders hold a number of SKMH Shares equal to the number of shares that they held in SKM NZ prior to the exercise of the NZ Call Option;
- (n) **(Merger Resolutions)** – prior to 8.00 am on the Second Court Date, the Merger Resolutions have each been approved;
- (o) **(Dividend Shares)** – prior to 8.00 am on the Second Court Date, all of the Dividend Shares have been redeemed in accordance with their terms of issue and applicable law;
- (p) **(Major Client Consents)** – each of the Major Client Consents has been obtained in writing in a form satisfactory to Jacobs prior to 8.00 am on the Second Court Date;
- (q) **(Founder Share)** – the Founder Share Transfer Agreement is executed by all of the parties to that agreement prior to 8.00 am on the Second Court Date;
- (r) **(Lender Consents)** – the Lender Consents have been obtained prior to 8.00 am on the Second Court Date; and
- (s) **(Jacobs Warranties)** – the Jacobs Warranties are true, accurate and not misleading as at the date of this Deed and 8.00 am on the Second Court Date.

3.2 Reasonable endeavours

- (a) Each party shall use reasonable endeavours to ensure the conditions precedent for which it is responsible are satisfied by the time stipulated for their satisfaction (being the conditions precedent in clauses 3.1(c) (Shareholder approval), 3.1(d) (Court approval), 3.1(f) (No SKM Prescribed Occurrence), 3.1(h) (No SKM Material Adverse Event), 3.1(i) (No SKM Regulated Event), 3.1(j) (Adjustment Statements), 3.1(k) (No Leakage Material Adverse Event), 3.1(m) (NZ Call Option), 3.1(n) (Merger Resolutions), 3.1(o) (Dividend Shares), 3.1(p) (Major Client Consents) and 3.1(r) (Lender Consents) for the SKM Parties and the conditions precedent in clauses 3.1(a) (FIRB approval), 3.1(g) (No Jacobs Prescribed Occurrence) and 3.1(s) (Jacobs Warranties) for Jacobs).
- (b) Each of the SKM Parties and Jacobs shall use reasonable endeavours to make sure that the conditions precedent in clauses 3.1(b) (Regulatory Approval), 3.1(e) (Restraints), 3.1(l) (Specified Insurance Policies) and 3.1(q) (Founder Share) are satisfied by 8.00 am on the Second Court Date.
- (c) Each party shall:
 - (i) provide reasonable co-operation and assistance to the other (including relevant information) for Regulatory Approval and advance copies of any documents to be filed for Regulatory Approval for the approval of the other party (such approval not to be unreasonably withheld or delayed); and
 - (ii) consult with the other parties in relation to all material communications with any Government Agency relating to Regulatory Approval.

3.3 Waiver of conditions precedent

- (a) The conditions precedent in clauses 3.1(a) (FIRB approval), 3.1(c) (Shareholder approval) and 3.1(d) (Court approval) cannot be waived.
- (b) The conditions precedent in clauses 3.1(b) (Regulatory Approval), 3.1(e) (Restraints), 3.1(l) (Specified Insurance Policies) and 3.1(q) (Founder Share) are for the benefit of SKMM and Jacobs and can only be waived by both SKMM and Jacobs.

- (c) The conditions precedent in clauses 3.1(g) (No Jacobs Prescribed Occurrence) and 3.1(s) (Jacobs Warranties) are for the sole benefit of SKMM and can only be waived by SKMM.
- (d) The conditions precedent in clauses 3.1(f) (No SKM Prescribed Occurrence), 3.1(h) (No SKM Material Adverse Event), 3.1(i) (No SKM Regulated Event), 3.1(j) (Adjustment Statements), 3.1(k) (No Leakage Material Adverse Event), 3.1(m) (NZ Call Option), 3.1(n) (Merger Resolutions), 3.1(o) (Dividend Shares), 3.1(p) (Major Client Consents) and 3.1(r) (Lender Consents) are for the sole benefit of Jacobs and can only be waived by Jacobs.
- (e) Waiver of a breach or non-fulfilment in respect of one condition precedent does not constitute:
 - (i) a waiver of beach or non-fulfilment of any other condition precedent resulting from the same event;
 - (ii) a waiver of breach of non-fulfilment of that condition precedent resulting from any other event; or
 - (iii) a waiver of the application of any provisions in the Sale Agreement in respect of that breach or non-fulfillment or facts, matters or circumstances giving rise to the breach or non-fulfilment.

3.4 Termination on failure of conditions precedent

- (a) The SKM Parties and Jacobs must:
 - (i) keep each other informed of progress in satisfying the conditions precedent;
 - (ii) notify each other immediately in writing if a condition precedent is satisfied or if it becomes aware a condition precedent has not been satisfied or has become incapable of being satisfied;
 - (iii) on the Second Court Date, provide the Court with a certificate that all of the conditions have been satisfied or waived (to the extent that such statement can be accurately made at that date); and
 - (iv) consult if there is a failure (or likely failure) of a condition precedent to be satisfied to see if the Merger can proceed by alternative methods and if there is a failure to agree on what actions to take within 5 Business Days (or such lesser time as may be available before the Second Court Date) then the SKM Parties or Jacobs may (but shall not be obliged to) terminate this Deed by written notice to the other party in accordance with clauses 3.4(b) to 3.4(d).
- (b) If any of the conditions precedent is not fulfilled or waived on or before 8.00 am on the Second Court Date, then either of the SKM Parties, on the one hand, or Jacobs, on the other hand, may terminate this Deed by written notice to the other party provided however that no party shall be entitled to invoke non-fulfilment of a condition as a basis for termination if such non-fulfilment is caused by that party or by a breach of this Deed by that party.
- (c) If this Deed is terminated in accordance with clause 3.4(b), all rights and obligations under this Deed shall immediately terminate (except for clauses 1, 5, 6.1, 6.2, 8, 10, 12, 13 and 14) but all rights and obligations of the parties which have accrued before termination shall continue to exist, and, for the avoidance of doubt, the SKM Parties shall not be obliged to proceed with the Schemes and Jacobs shall not be obliged to pay the Scheme Consideration.
- (d) Should either party elect to proceed with Implementation notwithstanding such failure to satisfy a condition precedent (subject always to clause 3.3(a)) such election shall be

without prejudice to its rights to bring a Claim against the other party for breach of this Deed or other Transaction Document.

4. TRANSACTION STEPS

4.1 Scheme

The SKM Parties must propose the Schemes under which all of the SKMH Scheme Shares and SKMM Scheme Shares will be transferred to Jacobs and the Scheme Shareholders will receive the Scheme Consideration.

4.2 Scheme Consideration

- (a) The consideration payable to the SKMM Scheme Shareholders under the SKMM Scheme is the SKMM Scheme Consideration.
- (b) The consideration payable to the SKMH Scheme Shareholders under the SKMH Scheme is the SKMH Scheme Consideration.
- (c) Jacobs covenants in favour of the SKM Parties that in consideration for the transfer to Jacobs of the SKMH Shares and SKMM Shares held by Scheme Shareholders under the Schemes, Jacobs will, on the Implementation Date:
 - (i) accept the SKMH Shares and SKMM Shares; and
 - (ii) subject to the Deed Polls, the Sale Agreement and this Deed, transfer:
 - (A) an amount equal to the Initial Scheme Consideration less \$1,500,000 to the account nominated by the Sellers' Representatives (or any of them) on behalf of the Scheme Shareholders;
 - (B) \$2,000,000 into the Sellers' Representative Costs Account; and
 - (C) the Additional Scheme Consideration into the Escrow Account.
- (d) If the number of SKMH Shares held by an SKMH Scheme Shareholder as at the SKMH Scheme Record Date is such that the aggregate entitlement of the SKMH Scheme Shareholder to SKMH Scheme Consideration includes an entitlement to a fractional amount representing less than one cent, then the entitlement of that SKMH Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of cents, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of cents.

4.3 Merger Steps

- (a) Without prejudice to clause 4.7, and subject always to the other terms of this Deed, the SKM Parties must take all necessary steps to implement the Schemes as soon as reasonably practicable after the date hereof, including:
 - (i) (**Scheme Booklet**) preparing and despatching the Scheme Booklet in accordance with applicable laws (including consulting with Jacobs as to the content and presentation of the Scheme Booklet, providing Jacobs with drafts of the Scheme Booklet, giving Jacobs an opportunity to comment on those drafts, taking Jacobs' comments into account in good faith when producing revised drafts, and obtaining prior written approval from Jacobs for the form and content in which any Jacobs Information appears in the Scheme Booklet) and ensuring

that the information in the Scheme Booklet (other than Jacobs Information) is not misleading or deceptive in any material respect (whether by omission or otherwise);

- (ii) (**Board Recommendation**) ensuring the Scheme Booklet contains a statement by the SKMM Board and SKMH Board that (A) they unanimously recommend the SKMM Scheme and SKMH Scheme and that SKMM Shareholders and SKMH Shareholders vote in favour of the EGM Resolution and all the resolutions to be proposed at the Scheme Meetings in the absence of a Superior Proposal, and (B) each member of the SKMM Board and the SKMH Board who holds SKMM Shares or SKMH Shares intends to vote his or her SKMM Shares or SKMH Shares in favour of the EGM Resolution and all resolutions to be proposed at the Scheme Meetings in the absence of a Superior Proposal;
- (iii) (**SKMH Resolution**) ensuring that SKMM, as the holder of the Group Redeemable Voting Preference Share in SKMH, passes a special resolution in writing to amend the SKMH Constitution to permit and facilitate the Merger;
- (iv) (**Independent Expert**) promptly appoint the Independent Expert and provide all assistance and information reasonably required by them in connection with the preparation of the Independent Expert's Report for inclusion in the Scheme Booklet;
- (v) (**representation**) procure that they are represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which through their counsel, the SKM Parties will undertake (if required by the Court) to do all such things and take all such steps within their power as are necessary in order to ensure the fulfilment of their obligations under this Deed and the Schemes and to the extent that leave of the Court is required for the SKM Parties to be represented at those Court hearings, apply for that leave;
- (vi) (**Section 411(17)(b) Statement**) apply to ASIC for the production of a statement in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Schemes;
- (vii) (**Court documents**) prepare all documents necessary for the Court hearings (including any appeals) relating to the Schemes (including originating the process, affidavits, submissions and draft minutes of Court orders) in accordance with all applicable laws, provide Jacobs substantially final drafts of those documents no later than two Business Days prior to filing such documents with the Court and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments from Jacobs on those drafts;
- (viii) (**Court direction**) apply to the Court for orders pursuant to section 411(1) of the Corporations Act directing the Court to convene the Scheme Meetings;
- (ix) (**update Scheme Booklet**) if any SKM Party becomes aware of information after the date of despatch of the Scheme Booklet that is material for disclosure to SKMH Shareholders and/or SKMM Shareholders in deciding whether to approve the Schemes or that is required to be disclosed to SKMH Shareholders and/or SKMM Shareholders under any applicable law, as expeditiously as practicable:
 - (A) notify Jacobs of the relevant information and the proposed disclosure to SKMH Shareholders and/or SKMM Shareholders that the SKM Parties believe is required to be made;

- (B) provide Jacobs with drafts of any documents that it proposes to issue to SKMH Shareholders and/or SKMM Shareholders under this clause 4.3(a)(ix) and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments received from Jacobs on those drafts;
- (C) inform SKMH Shareholders and/or SKMM Shareholders of the information in an appropriate and timely manner, and in accordance with applicable law after (subject always to applicable law) consultation with Jacobs as to the manner of provision of that information to SKMH Shareholders and/or SKMM Shareholders;
- (x) (**ASIC review**) keep Jacobs fully and promptly informed of any matters raised by ASIC in relation to the Transaction Documents or the Schemes and ensure that any issues raised by Jacobs are communicated to ASIC;
- (xi) (**EGMs**) convene the EGMs; the notices of meeting must state that in the absence of a Superior Proposal, each of the SKMM Board and the SKMH Board unanimously recommends that the EGM Resolution be passed;
- (xii) (**Scheme Meetings**) convene the Scheme Meetings to agree the Schemes in accordance with the orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (xiii) (**material contracts**) use reasonable endeavours to obtain written consent from each person who is entitled to exercise any right under any provision of any contract agreed as being material by both Jacobs and the SKM Parties relating to the business of any member of the SKM Group existing at the Operative Date (including those consents set forth on Schedule 2) that entitles the person to terminate or modify the contract as a result of the announcement or implementation of the Scheme, and keep Jacobs fully and promptly informed of its progress in obtaining such consents and use best endeavours, in co-operation with Jacobs, to resolve any matters raised by any applicable counterparty to such a contract;
- (xiv) (**NZ Call Option**) take all required steps to exercise and complete the transactions contemplated by the NZ Call Option;
- (xv) (**SKM Prescribed Occurrence or SKM Regulated Event**) ensure that no SKM Prescribed Occurrence or SKM Regulated Event occurs between the Operative Date and 8.00 am on the Second Court Date;
- (xvi) (**Court approval**) subject to the conditions precedent in clause 3.1, other than the condition in clause 3.1 (d), being satisfied or waived (where capable of waiver), apply to the Court (by no later than one Business Day after the date on which the last such condition is satisfied or waived) for orders approving the Schemes as soon as possible (subject to Court availability);
- (xvii) (**lodge copy of Court order**) promptly lodge with ASIC an office copy of the Court order for each of the Schemes in accordance with section 411(10) of the Corporations Act;
- (xviii) (**Scheme Consideration**) close the share registers of the SKM Parties as at the SKMM Scheme Record Date and the SKMH Scheme Record Date as applicable and determine entitlements to the SKMM Scheme Consideration and SKMH Scheme Consideration in accordance with the Schemes;

- (xix) (**directors meeting**) on or before the Implementation Date, the directors of each SKM Party convening and holding a meeting to conduct the following business (as applicable) subject to the Schemes becoming Effective:
- (A) approval of the registration of Jacobs as the holder of all of the SKMM Shares and the SKMH Shares in the books of SKMM and SKMH, respectively, and direct the making of the requisite entry in the share registers, to give effect to the transfer, the cancellation of the existing share certificates issued in respect of the SKMM Shares and the SKMH Shares and the issue of new certificates in the name of Jacobs;
 - (B) acceptance of the resignation of the existing directors, secretaries and officers of the SKM Parties effective on the appointment of the directors, secretaries and officers referred to in clause 4.3(a)(xix)(C) below; and
 - (C) subject to receipt of written consents to act, appointment of Jacobs' nominees as directors, secretaries and officers of the SKM Parties;
- (xx) (**Sellers' Notice**) subject to the Schemes becoming Effective, on the SKMH Record Date, provide a fully completed copy of the Sellers' Notice to Jacobs; and
- (xxi) (**Delivery of documents**) subject to the Schemes becoming Effective, on the Implementation Date:
- (A) deliver to Jacobs:
 - a completed master transfer of the SKMM Scheme Shares and the SKMH Scheme Shares executed by the SKM Parties as attorney for the Sellers;
 - a counterpart of the Founder Share Transfer Agreement duly executed by ODS Investments Pty Limited;
 - a counterpart of the Sale Agreement duly executed by each of the SKM Parties and the Sellers' Representatives;
 - a counterpart of the Escrow Deed duly executed by the Sellers' Representatives;
 - a duly executed copy of each Major Client Consent and each consent obtained in accordance with clause 4.3(a)(xiii) as at the Implementation Date;
 - the written resignations of, and release of all members of the SKM Group from any claims by, all directors, secretaries and officers of each of the SKM Parties to be effective on the appointment of the directors, secretaries and officers to be appointed at the board meetings to be convened under clause 4.3(a)(xix); and
 - duly completed authorities for alteration of signatories of the SKM Group bank accounts; and

- (B) make available to Jacobs:
- ledgers, journals and books of account of each member of the SKM Group;
 - cheque books of each member of the SKM Group and list of all bank accounts maintained by the members of the SKM Group; and
 - documents in the possession of each member of the SKM Group relating to the ownership and use of the assets and the business of the SKM Group.
- (b) Without prejudice to clause 4.7 and subject always to the other terms of this Deed, Jacobs must take all necessary steps to implement the terms of this Deed as soon reasonably practicable after the date hereof, including:
- (i) (**Jacobs Information**) prepare and promptly provide to the SKM Parties all Jacobs Information reasonably requested by the SKM Parties for inclusion in the Scheme Booklet and ensure that all Jacobs Information is not misleading or deceptive in any material respect (whether by omission or otherwise);
 - (ii) (**review of Scheme Booklet**) review the drafts of the Scheme Booklet prepared by the SKM Parties and provide comments promptly on those drafts in good faith;
 - (iii) (**Independent Expert**) provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
 - (iv) (**representation**) procure that it is represented by counsel at the Court hearings on the First Court Date and Second Court Date, at which, through its counsel, Jacobs will undertake (if requested by the Court) to do all such things and take all such steps within its power as are necessary in order to ensure the fulfilment of its obligations in accordance with the Schemes;
 - (v) (**Deed Polls**) on the Business Day prior to the First Court Date, enter into the Deed Polls; and
 - (vi) (**Scheme Consideration**) if the Schemes become Effective, provide the Scheme Consideration on the Implementation Date in the manner and the amount contemplated by the Schemes.

4.4 Conduct of Business

- (a) From the Operative Date up until the Implementation Date, the SKM Parties must each, and must procure that each member of the SKM Group must:
- (i) conduct its business and operations in the ordinary course and consistent (subject to any applicable laws, regulations and Regulatory Approval) with the manner in which such business and operations have been conducted in the 12 month period prior to the Operative Date;
 - (ii) make all reasonable efforts to preserve intact the SKM Group's current business organisation and to keep available the services of the current officers and employees;
 - (iii) make all reasonable efforts to maintain and preserve the SKM Group's relationships with Government Agencies, customers, suppliers, licensors, licencees and others having business dealings with it;

- (iv) not enter into any new line of business that the SKM Group are not engaged in at the Operative Date;
- (v) maintain in effect all permits, licenses and authorisations required to continue to carry on its business in the ordinary course;
- (vi) maintain in full force and effect all insurance policies, including renewing any such policies that expire between the Operative Date and the Implementation Date;
- (vii) refrain from creating, issuing or redeeming any shares, securities or loan capital other than as expressly contemplated by the terms of this Deed;
- (viii) make no changes to its policies or practices in respect of managing its working capital, payments of accounts payable, treatment of accounts receivable or alter any of its accounts or financial policies or practices in any way;
- (ix) make no changes to its policies or practices in respect of managing its working capital, payments of accounts payable, treatment of accounts receivable or alter any of its accounts or financial policies or practices in any way;
- (x) unless with the prior written consent of Jacobs, not enter into any transaction or conduct any matter which may constitute Leakage,

except to the extent that (i) a matter has been carried out pursuant to any express obligation on the part of any member of the SKM Group under this Deed, or (ii) a matter has been undertaken at the express written request of Jacobs.

- (b) The SKM Parties shall immediately notify Jacobs of any matter, circumstance, act or omission which constitutes a breach of clause 4.4(a).

4.5 No Leakage from the Locked Box Date

- (a) Each of the SKM Parties represents, warrants and undertakes to Jacobs that from and including the Locked Box Date and until Implementation:
 - (i) no member of the SKM Group has:
 - (A) declared, authorised, paid or made (whether actual or deemed) to any current or former SKMM Shareholder or SKMH Shareholder any dividend or distribution or will do any of those things; or
 - (B) made any other payment (in cash or in kind) in respect of any return of capital (whether in respect of any security issued by any member of the SKM Group and whether by reduction of capital, redemption or purchase of shares) or will do any of those things, except as contemplated by clause 3.1(o);
 - (ii) no member of the SKM Group has made or agreed to make any payment to any current or former SKMM Shareholder or SKMH Shareholder or any Related Person other than in the ordinary course of business on arm's length terms on a basis that is consistent with past practice or will do any of those things, except as contemplated by clause 4.8(b) of the Sale Agreement;
 - (iii) no member of the SKM Group has transferred or surrendered any asset to, or assumed, indemnified or incurred any liability (including without limitation, any indebtedness, expenses or cost) for the benefit of, or made any payment to or for the benefit of, any current or former SKMM Shareholder or SKMH Shareholder or any Related Person or will do any of those things;

- (iv) no member of the SKM Group has waived or released in favour of any current or former SKMM Shareholder or SKMH Shareholder, nor has any current or former SKMM Shareholder or SKMH Shareholder failed to pay when due, any sum or obligation due by any such Scheme Shareholder to any member of the SKM Group or will do any of those things;
- (v) no member of the SKM Group has paid, nor will they offer, agree to pay or pay, any bonus payment or other emolument to any director, officer or employee other than weekly wages or monthly salary, annual bonuses, pension contributions and contributions to any long term incentive plan arrangements for a director, officer or employee (in each case, where such bonuses and contributions are in the ordinary course and consistent with past practice);
- (vi) no member of the SKM Group has paid, nor will they offer, agree to pay or pay, any of the fees which are or may be owed by any current or former SKMM Shareholder or SKMH Shareholder or Related Person to a professional advisor to the Scheme Shareholders in connection with the preparation of this Deed or the transactions contemplated hereunder, except for the Historic Transaction Costs and the Transaction Costs Estimate;
- (vii) there has been no cancellation or forgiveness of (or agreement to cancel or forgive) any indebtedness for money owed to any member of the SKM Group, or waiver of any claim or right in relation to such indebtedness, nor will any member of the SKM Group do or agree to do any of those things; and
- (viii) no member of the SKM Group has made or entered into any agreement or arrangement to give effect to any of the matters referred to in clauses 4.5(a)(i) to (vii) above.

The occurrence of any of the events set out in this clause 4.5(a) at or before Implementation but on or after the Locked Box Date, shall constitute an incident of **Leakage** for the purpose of this Deed, the Sale Agreement and the other Transaction Documents.

- (b) On the date which is three Business Days before the Second Court Date, the SKM Parties shall deliver to Jacobs a certificate of a director of each SKM Party:
 - (i) stating that, to the knowledge of such SKM Party, there has been no Leakage since the Locked Box Date; or
 - (ii) setting forth in reasonable detail the nature and amount of any items of Leakage since the Locked Box Date of which such SKM Party is aware.
- (c) If there is any dispute regarding whether and the extent to which any items of Leakage have occurred since the Locked Box Date, Jacobs and the SKM Parties shall meet to identify and agree in good faith prior to 8.00 am on the Second Court Date the amount of any Leakage which has occurred since the Locked Box Date. The amount of Leakage identified in the certificate delivered pursuant to clause 4.5(b)(ii) or agreed to by Jacobs and the SKM Parties pursuant to this clause 4.5(c), as applicable, is referred to as **Pre-Implementation Leakage**. Subject to clause 11.3(b), Pre-Implementation Leakage shall be treated in accordance with the terms of the Sale Agreement.

4.6 SKMM and SKMH Board Recommendation

- (a) Subject to clause 4.6(b), the SKMM Board and SKMH Board must each unanimously recommend that SKMM Shareholders and SKMH Shareholders, as applicable, vote in favour

of the EGM Resolution and all the resolutions to be proposed at the Scheme Meetings in the absence of a Superior Proposal, and the Scheme Booklet must include a statement by the SKMM Board and SKMH Board to that effect.

- (b) The SKMM Board and the SKMH Board must not change, withdraw or modify their recommendation in favour of the Schemes unless:
 - (i) the Independent Expert provides a report to either of the SKM Parties which concludes that the SKMM Scheme or the SKMH Scheme is not in the best interests of SKMM Shareholders and/or SKMH Shareholders; or
 - (ii) they receive a Superior Proposal.

4.7 Promotion of Merger

From the Operative Date up until the Implementation Date, each party must provide all such reasonable assistance as is requested by the other parties to participate in efforts reasonably required to promote the merits of the Merger and implement the Schemes. Without prejudice to the generality of the foregoing, each party will use all reasonable endeavours to do and execute, or procure the doing and executing of, each necessary act, document and thing reasonably within its power to implement the Schemes on the terms and subject to the conditions set out or referred to in this Deed and to give effect to the matters specified in, and to act in accordance with, the Transaction Documents, including:

- (a) meeting with SKMM Shareholders and SKMH Shareholders; and
- (b) communicating with Jacobs Group employees, SKM Group employees, customers and suppliers.

4.8 Scheme Booklet

- (a) The Scheme Booklet will contain a responsibility statement to the effect that the SKM Parties will be responsible for the SKM Group Information contained in the Scheme Booklet and Jacobs will only be responsible for Jacobs Information contained in the Scheme Booklet.
- (b) If after a reasonable period of consultation, the SKM Parties and Jacobs are unable to agree on the form and content of the Scheme Booklet, then where the dispute relates to Jacobs Information, Jacobs will have the final determination as to the form and content of Jacobs Information and in any other case, the SKM Parties will make the final determination as to the form and content of the Scheme Booklet.

4.9 Co-operation and integration

- (a) Promptly after the Operative Date, to the extent not already established, the parties will establish the Integration Committee as a forum for consultation and planning for the transition of the ownership of the SKM Group to Jacobs. The Integration Committee will, subject to applicable law and regulation:
 - (i) oversee the implementation of the Schemes;
 - (ii) monitor the status of the satisfaction of the conditions precedent set out in this Deed;
 - (iii) assist Jacobs in obtaining an understanding of the operations and conduct of the SKM Group's business; and
 - (iv) discuss how to best integrate the SKM Group's business into the operations of Jacobs following Implementation.

- (b) The parties will co-operate with each other in good faith to facilitate the work of the Integration Committee. To that end, each party will provide reasonable access to information (subject to any applicable law and regulation and any existing confidentiality obligations owed to third parties and subject to compliance with any protocol agreed by the parties) and senior executives as reasonably requested by the other. For the avoidance of doubt, the Integration Committee is a consultative body only.

4.10 Access to Information and Personnel

Between the Operative Date and the Implementation Date, each of the SKM Parties must provide the Jacobs Group with reasonable access to the records, premises and key personnel of the SKM Group at times mutually agreed in order to allow the Jacobs Group to plan for the transition of the business of the SKM Group following Implementation.

4.11 GMEC Observer Rights

During the period from the Operative Date up until the Implementation Date, Jacobs may from time to time nominate (by written notice to the SKM Parties) one person as an observer to the GMEC. Subject to any applicable law and regulation and any existing confidentiality obligations owed to third parties and subject to compliance with any protocol agreed by the parties, an observer appointed under this clause 4.11 shall be entitled to receive all documents, notices and information which a member of GMEC would be entitled to receive and to attend all meetings that a member of GMEC would be entitled to attend but:

- (a) is not entitled to vote at any such meeting;
- (b) does not act in the position of a member of the GMEC; and
- (c) must not communicate instructions or wishes to the GMEC in relation to the exercise of their powers (and the GMEC shall disregard any such instructions or wishes if made).

4.12 Employee Matters

The SKM Parties shall comply, and shall procure that each other member of the SKM Group complies, with any notice or consultation obligations with respect to the employees of the SKM Group or their respective employee representatives to the extent required under applicable law in connection with the execution, delivery and performance by the SKM Parties of this Deed or the consummation by the SKM Parties of the Merger.

4.13 Appointment of Escrow Agent

Jacobs and the SKM Parties must use their reasonable endeavours to negotiate an agreed form of the Escrow Deed with the Escrow Agent by no later than ten Business Days prior to the First Court Date.

5. ADJUSTMENT STATEMENTS, REPRESENTATIONS AND WARRANTIES

5.1 SKMM and SKMH Warranties and Adjustment Statements

- (a) Subject to matters fairly and accurately disclosed in the Disclosure Letter, the SKM Parties jointly and severally represent and warrant to Jacobs that as at the Operative Date and at all times prior to 8.00 am on the Second Court Date, each of the Adjustment Statements is true, accurate and not misleading.
- (b) For the purposes of clauses 3.1(j), 3.4(b), 3.4(c), 5.2(b), 10.1(d), 11.1(d), 11.4(b) and this clause 5.1 only, the Adjustment Statements shall be deemed to be incorporated in this Deed.

- (c) For the avoidance of doubt, Jacobs' sole remedy after the Implementation Date for breach of clause 5.1(a) shall be to make a Claim under the terms of the Sale Agreement.

5.2 Update of Disclosure Letter

- (a) Between the Operative Date and 8:00 am on the Second Court Date, the SKM Parties will promptly notify Jacobs in writing if either of the SKM Parties becomes aware of (i) any specific fact or condition that causes any Adjustment Statement to be untrue, inaccurate or misleading, or (ii) the occurrence after the Operative Date of any specific fact or condition that would cause any Adjustment Statement to be untrue, inaccurate or misleading had such Adjustment Statement been made as of the time of occurrence or discovery of such specific fact or condition (each of the foregoing in clause (i) or (ii), a **Post-Signing Breach**). The SKM Parties shall supplement the Disclosure Letter regarding any Post-Signing Breach no later than five Business Days prior to the Second Court Date, by delivering one or more supplements (each, a **Disclosure Supplement**) to Jacobs in accordance with the procedures set forth in this clause 5.2(a); provided, that the Disclosure Supplement will not give Jacobs any right to terminate this Deed unless the matters in such Disclosure Supplements would cause the conditions specified in clause 3.1(j) not to be satisfied as of 8.00 am on the Second Court Date. To the extent the existence of any matter set forth in any Disclosure Supplement would cause the conditions specified in clauses 3.1(j) not to be satisfied as of 8.00 am on the Second Court Date, Jacobs shall have the right (A) to terminate this Deed by written notice to the SKM Parties within three Business Days after receipt of the Disclosure Supplement which includes such matter, but in any event prior to 8.00 am on the Second Court Date, or (B) to consummate the Merger.
- (b) If Jacobs terminates this Deed in accordance with clause 5.2(a), all rights and obligations under this Deed shall immediately terminate (except for clauses 1, 5, 6.1, 6.2, 8, 12, 13 and 14) but all rights and obligations of the parties which have accrued before termination shall continue to exist. Should Jacobs elect to proceed with Implementation notwithstanding a failure to satisfy the condition precedent in clause 3.1(j) resulting from a Post-Signing Breach such election shall be without prejudice to its rights to bring a Claim against the other party for breach of this Deed or under the Sale Agreement.

5.3 Jacobs Warranties and Indemnities

- (a) Jacobs represents and warrants to each SKM Party (in its own right and separately as trustee or nominee of the other SKM Group Indemnified Parties) at the Operative Date and as at 8.00 am on the Second Court Date that:
- (i) (**Not misleading**) no Jacobs Information provided for inclusion in the Scheme Booklet, as at the date the Scheme Booklet is despatched to SKMM Shareholders and SKMH Shareholders, will contain any statement which is materially misleading or deceptive including by way of omission from that statement;
 - (ii) (**New information**) it will, as a continuing obligation, provide to the SKM Parties all further or new Jacobs Information which arises after the Scheme Booklet has been despatched until the date of the Scheme Meeting which is necessary to ensure that there would be no breach of clause 5.3(a)(i) if it applied as at the date on which that information arose;
 - (iii) (**Validly existing**) it is a validly existing corporation registered under the laws of its place of incorporation;
 - (iv) (**Authority**) the execution and delivery of this Deed has been properly authorised by all necessary corporate action of Jacobs;
 - (v) (**Power**) it has full corporate power and lawful authority to execute, deliver and perform this Deed;

- (vi) (**No default**) this Deed does not conflict with or result in the breach of or a default under:
 - (A) Jacobs' constitutional documents;
 - (B) any other agreement to which Jacobs is a party; or
 - (C) any writ, order or injunction, judgment, law, rule or regulation to which it is party or by which it is bound;
- (vii) (**Funding**) at 5.00 pm on the Business Day before the Second Court Date, Jacobs will have available to it sufficient cash amounts to satisfy Jacobs' obligations to pay the Scheme Consideration in accordance with its obligations under this Deed, the Sale Agreement and the Deed Polls; and
- (viii) (**Specified Insurance Policies**) there has been no intentional action or omission of Jacobs or its Representatives which has invalidated the Specified Insurance Policies.
- (b) Jacobs agrees with each SKM Party (in its own right and separately as trustee or nominee of the other SKM Group Indemnified Parties) to indemnify the SKM Group Indemnified Parties against any Losses they suffer arising out of breach of the Jacobs Warranties.

5.4 Survival of representations and indemnities

Each of the representations, warranties and indemnities referred to in this clause 5 is severable and survives the termination of this Deed.

6. RELEASES

6.1 SKMM and SKMH Directors and Officers

- (a) Jacobs releases its rights and agrees with each SKM Party that it will not make a claim against, and will procure that no Jacobs Indemnified Party will make a claim against, any director, officer, employee or other agent (which is a natural person) of any member of the SKM Group as at the Operative Date in connection with:
 - (i) any breach of representations, covenants and warranties of an SKM Party in this Deed; or
 - (ii) any disclosures containing any statement which is false or misleading whether in content or by omission,except where such director, officer, employee or agent has not acted in good faith or has engaged in wilful misconduct or fraud; provided, however, that the foregoing release is without prejudice to all of Jacobs' rights and remedies against any such director, officer, employee or agent that is an SKMM Shareholder or SKMH Shareholder in respect of a Title and Capacity Adjustment Statement that relates to him or her which is untrue, inaccurate or misleading.
- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly. Each SKM Party receives and holds the benefit of this clause to the extent it relates to each SKM Group Indemnified Party as trustee for each of them.

6.2 Jacobs Directors and Officers

- (a) Each SKM Party releases its rights and agrees with Jacobs that it will not make a claim against, and will procure that no SKM Group Indemnified Party will make a claim against, any director, officer, employee or other agent (which is a natural person) of any member of the Jacobs Group as at the Operative Date in connection with:
- (i) any breach of representations, covenants and warranties of Jacobs in this Deed; or
 - (ii) any disclosures containing any statement which is false or misleading whether in content or by omission, except where such director, officer, employee or agent has not acted in good faith or has engaged in wilful misconduct or fraud.
- (b) This clause is subject to any Corporations Act restriction and will be read down accordingly. Jacobs receives and holds the benefit of this clause to the extent it relates to each Jacobs Indemnified Party as trustee for each of them.

6.3 Deeds of indemnity and insurance

- (a) Jacobs undertakes, subject to the Schemes becoming Effective and any restrictions in the Corporations Act, that:
- (i) it will procure that each member of the SKM Group continues to indemnify its directors and officers against any liability incurred by them in their capacity as a director or officer of the company on the same basis as at the Implementation Date (to the extent permitted by applicable law and the constitutional documents of the relevant entity); and
 - (ii) it will procure that each member of the SKM Group complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers.
- (b) The SKM Parties will in respect of all directors and officers of each company in the SKM Group immediately prior to the Schemes becoming Effective (**Retired Officer**), pre-pay before the Implementation Date directors and officers insurance for their benefit for a period of seven years from the retirement date of each Retired Officer and provide evidence of such payment to Jacobs.

Each SKM Party receives and holds the benefit of this clause for each director and officer of the SKM Group as trustee for each of them.

7. PUBLIC ANNOUNCEMENT

7.1 Announcement of Merger

- (a) The SKM Parties and Jacobs must issue public announcements in the form mutually agreed (the **Announcements**) as soon as reasonably practicable after the execution of this Deed. The Announcement issued by the SKM Parties must include a statement by the SKMM Board and the SKMH Board that they unanimously recommend the SKMM Scheme and the SKMH Scheme in the absence of a Superior Proposal and subject to the Independent Expert not providing a report to SKMM or SKMH which concludes that the SKMM Scheme or the SKMH Scheme is not in the best interests of SKMM and SKMH Shareholders.
- (b) No public announcement or disclosure of the Merger or any other transaction which is the subject of this Deed may be made other than in a form approved by both the SKM Parties and Jacobs (acting reasonably).

- (c) Where Jacobs is required by applicable law or regulations to make any other announcement or disclosure in connection with the Merger or any other transaction which is the subject of this Deed, it must use reasonable endeavours, to the extent practicable and lawful, to consult with the SKM Parties prior to making the relevant disclosure.

8. CONFIDENTIALITY

Each of the SKM Parties and Jacobs acknowledge and agree that they continue to be bound by the Confidentiality Deed after the Operative Date. The rights and obligations of the parties under the Confidentiality Deed shall survive the termination of this Deed.

9. EXCLUSIVITY

9.1 Termination of existing discussions

- (a) The SKM Parties represent and warrant that, as at the Operative Date, neither they nor any member of the SKM Group or any of their respective Related Persons are in any negotiations or discussions, and that they (and each member of the SKM Group and each of their respective Related Persons) have ceased any existing negotiations or discussions, in respect of any Competing Proposal with any person (other than, for the avoidance of doubt, the discussions with Jacobs and its Representatives in respect of the Schemes).
- (b) The SKM Parties agree that if either of them or any member of the SKM Group or of their respective Related Persons has provided any confidential information to any Third Party pursuant to a confidentiality agreement and in connection with such Third Party's consideration of a possible Competing Proposal, the SKM Parties have requested or will promptly request in writing the immediate return or destruction by the Third Party of such confidential information.

9.2 No shop and no talk

During the Exclusivity Period, each of the SKM Parties must not, and must ensure that each of its Related Persons does not, directly or indirectly:

- (a) solicit, invite, encourage or initiate (including by the provision of non-public information) any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of a Competing Proposal or communicate to any person an intention to do anything referred to in this clause 9.2(a); or
- (b) subject to clause 9.3:
 - (i) participate in or continue any negotiations or discussion with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make or which would reasonably be expected to encourage or lead to the making of a Competing Proposal;
 - (ii) negotiate, accept or enter into or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding a Competing Proposal;
 - (iii) disclose any non-public information about the business or affairs of the SKM Group to a Third Party with a view to obtaining or which would reasonably be expected to encourage or lead to receipt of a Competing Proposal; or
 - (iv) communicate to any person an intention to do anything referred to in this clause 9.2(b).

9.3 Fiduciary exception to no talk

Clause 9.2(b) does not prohibit any action or inaction by either of the SKM Parties or any of their Related Persons in relation to a Competing Proposal if compliance with that clause would, in the opinion of the SKMM Board and SKMH Board, formed in good faith after consultation with its external legal advisers, constitute or would be likely to constitute, a breach of any of the fiduciary or statutory duties of the directors, provided that the Competing Proposal was not directly or indirectly brought about or facilitated by a breach of clause 9.2(a).

9.4 Notification and matching rights

(a) During the Exclusivity Period, the SKM Parties must promptly notify Jacobs if:

- (i) either of them or they are approached by any Third Party to take any action of a kind that would breach their obligations under clause 9.2 (or that would breach their obligations under clause 9.2 if it were not for the provisos in clause 9.3); or
- (ii) either of them proposes to take any action of a kind that would breach its obligations under clause 9.2 (or that would breach its obligations under clause 9.2 if it were not for the provisos in clause 9.3),

unless (and only to the extent that) the SKMM Board and SKMH Board, acting in good faith, and after having obtained written advice from their external legal and, if appropriate, financial advisers, determines that it would, or would be likely to, involve a breach of its fiduciary or statutory duties to so notify Jacobs (in which case the SKM Parties must promptly notify Jacobs that such a determination has been made and that the SKM Parties are relying on the proviso in this clause).

(b) If either of the SKM Parties receives a Competing Proposal, and as a result the SKMM and SKMH Board proposes to change or withdraw its statement that it considers the Schemes to be in the best interests of SKMM Shareholders and SKMH Shareholders and/or its recommendation that SKMM Shareholders and SKMH Shareholders vote in favour of the Schemes, the SKM Parties must:

- (i) give Jacobs three Business Days' notice in writing of such proposed change or withdrawal; and
- (ii) provide to Jacobs with that notice, details of all material terms of the applicable Competing Proposal, including details of the proposed price or implied value (including details of the consideration if not simply cash), conditions, timing and break fee (if any), together with a copy of any material confidential information concerning the SKM Group's operations provided to any person associated with the Competing Proposal not previously provided to Jacobs.

(c) The SKM Parties will use their reasonable endeavours to ask the person who has made the applicable Competing Proposal (the **Competing Party**) for their consent to their name and other identifying details which may identify the Competing Party (**Identifying Details**) being provided by the SKM Parties to Jacobs on a confidential basis. If consent is refused, the SKM Parties may only withhold the Identifying Details from Jacobs if the SKMM Board and SKMH Board, acting in good faith, after having obtained advice from their external legal advisers, determine that failing to do so would, or would be likely to, involve a breach of the fiduciary or statutory obligations owed by any director of the SKM Parties. Any information provided pursuant to this clause 9.4) will be provided subject to the terms of the Confidentiality Deed.

(d) During the period of three Business Days referred to in clause 9.4(b), Jacobs will have the right to offer to amend the terms of the Schemes (a **Jacobs Counterproposal**) so that the amended terms of the Schemes would, subject

to the determination by the SKMM Board and SKMH Board acting in good faith, provide a superior outcome for the SKMM Shareholders and SKMH Shareholders than the applicable Competing Proposal.

- (e) The SKM Parties must procure that the SKMM Board and SKMH Board consider any such Jacobs Counterproposal and if the SKMM Board and SKMH Board, acting in good faith, determine that:
- (i) the Jacobs Counterproposal would provide a superior outcome for the SKMM Shareholders and SKMH Shareholders than the applicable Competing Proposal (it being acknowledged that the price or value implied by the Jacobs Counterproposal does have to be above, but does not have to be materially above, the price or value implied by the applicable Competing Proposal for the SKMM Board and SKMH Board to consider the Jacobs Counterproposal in relation to price to be superior); and
 - (ii) the other terms and conditions of the Jacobs Counterproposal taken as a whole are not less favourable than those in the applicable Competing Proposal,
- then,
- (iii) the SKM Parties and Jacobs must use their reasonable endeavours to agree on the amendments to this Deed and the other Transaction Documents that are reasonably necessary to reflect the Jacobs Counterproposal (including amendments to the Scheme Consideration that are reasonably necessary to reflect the Jacobs Counterproposal), and to enter into one or more appropriate amended agreements to give effect to those amendments and to implement the Jacobs Counterproposal, in each case as soon as reasonably practicable; and
 - (iv) the SKMM Board and SKMH Board must recommend the Jacobs Counterproposal to SKMM Shareholders and SKMH Shareholders and not the applicable Competing Proposal.
- (f) Any material modification to any Competing Proposal (which will include any modification relating to the price or value of any Competing Proposal) will be taken to make that proposal a new Competing Proposal in respect of which the SKM Parties must comply with its obligations under this clause 9.4.

10. REIMBURSEMENT FEE

10.1 Reimbursement Fee Triggers

SKMH must pay the Reimbursement Fee to Jacobs or its nominee, without set-off or withholding if during the Exclusivity Period:

- (a) any member of the SKMM Board or the SKMH Board withdraws or adversely modifies their recommendation that SKMM Shareholders and SKMH Shareholders should vote in favour of the EGM Resolution and all the resolutions to be proposed at the Scheme Meetings in the absence of a Superior Proposal, other than where the sole reason for such change, withdrawal or modification is the Independent Expert concluding in the Independent Expert's Report (in circumstances where there is no Superior Proposal) that either of the Schemes is not in the best interests of SKMM Shareholders and/or SKMH Shareholders;

- (b) a Competing Proposal is announced or made and is recommended, promoted or otherwise endorsed by the SKMM Board or the SKMH Board or by any members of the SKMM Board or SKMH Board;
- (c) a Competing Proposal is announced or made prior to the expiration of the Exclusivity Period and is completed at any time prior to the first anniversary of the Operative Date and, as a result, a Third Party acquires control of the SKM Group within the meaning of section 50AA of the Corporations Act (or acquires an equivalent shareholding or economic interest in either of the SKM Parties pursuant to the implementation of a dual listed company structure or reverse takeover);
- (d) Jacobs delivers a termination notice to the SKM Parties as a result of a material breach of a covenant in this Deed which has not been remedied in accordance with clause 11.1(d) and such material breach gives rise to an SKM Material Adverse Event; or
- (e) Jacobs delivers a termination notice to the SKM Parties as a result of the occurrence of a Leakage Material Adverse Event.

10.2 Compliance with law

- a. If a court or the Takeovers Panel determines that any part of the Reimbursement Fee:
 - (i) constitutes or would, if performed, constitute a breach of the fiduciary or statutory duties of the SKMM Board or SKMH Board; or
 - (ii) constitutes unacceptable circumstances within the meaning of the Corporations Act; or
 - (iii) is unenforceable or would, if paid, be unlawful for any reason,

then the SKM Parties will not be obliged to pay such part of the Reimbursement Fee and, if such fee has already been paid, then Jacobs must within five Business Days after receiving written demand from the SKM Parties refund that part of the Reimbursement Fee to the SKM Parties.

10.3 Time for payment

The SKM Parties must pay Jacobs the Reimbursement Fee, if it is payable pursuant to clause 10.1, within five Business Days after receiving a written notice from Jacobs setting out the relevant circumstances and requiring payment of the Reimbursement Fee.

10.4 Exclusive remedy

- (a) Jacobs and the SKM Parties believe that the transactions contemplated under this Deed will provide benefits to those parties and their respective shareholders, and acknowledge that if they enter into this Deed and the transaction is subsequently not implemented, Jacobs will incur significant costs.
- (b) Jacobs and the SKM Parties acknowledge that the Reimbursement Fee represents a reasonable amount to compensate Jacobs for the following:
 - (i) all advisory costs;
 - (ii) costs of management and directors' time;
 - (iii) all out of pocket expenses;
 - (iv) all commitment fees and other financing costs; and

- (v) reasonable opportunity costs in pursuing the transactions or not pursuing other alternative acquisitions or strategic initiatives.
- (c) Where the Reimbursement Fee is paid:
 - (i) Jacobs cannot make any Claim against the SKM Parties or any SKM Group Indemnified Party; and
 - (ii) the SKM Parties cannot make any Claim against Jacobs or any Jacobs Indemnified Party.

11. TERMINATION

11.1 Mutual termination

The SKM Parties on the one hand, and Jacobs and Jacobs Guarantor on the other hand, may terminate this Deed by written notice to the other:

- (a) (**Scheme resolutions voted down**) if the EGM Resolution or the resolutions to approve the Schemes are not approved by SKMM Shareholders and SKMH Shareholders;
- (b) (**Sunset Date**) if the Effective Date for the Schemes has not occurred before the Sunset Date;
- (c) (**Independent Expert**) if the Independent Expert concludes that either of the Schemes is not in the best interests of SKMM Shareholders and/or SKMH Shareholders;
- (d) (**material breach**) at any time before 8.00 am on the Second Court Date, if the other party is in material breach of any provision of this Deed and the party wishing to terminate has given written notice to the other parties in a timely manner specifying the relevant circumstances and stating its intention to terminate, and the breach is not remedied for 10 Business Days (or such shorter period ending at 5.00pm on the day before the Second Court Date) from the time the notice is given;
- (e) (**restraint**) At any time before 8.00 am on the Second Court Date, if a Government Agency has taken any action permanently restraining or otherwise prohibiting the Merger, or has refused to do anything necessary to permit the Merger and the action or refusal has become final and cannot be appealed; or
- (f) (**failure to satisfy conditions precedent**) in the circumstances set out in clause 3.4(b).

11.2 SKM Party Termination

Either of the SKM Parties may terminate this Deed by written notice to Jacobs if a majority of either the SKMM Board or the SKMH Board has changed, withdrawn or modified its recommendation as permitted under clause 4.6(b)(i) or, subject to compliance with its obligations in clauses 9.2, 9.3 and 9.4, under clause 4.6(b)(ii).

11.3 Jacobs Termination

Jacobs may terminate this Deed by written notice to the SKM Parties:

- (a) if any member of either the SKMM Board or the SKMH Board has changed, withdrawn or modified its recommendation as permitted under clause 4.6(b).
- (b) if a Leakage Material Adverse Event occurs; or
- (c) in the circumstances set out in clause 5.2(a).

11.4 Effect of Termination

- (a) If Jacobs becomes entitled to terminate this Deed under clause 11.1(d) and elects not to do so, such election shall be without prejudice to Jacobs' rights to bring a Claim under this Deed or any other Transaction Document in respect of any breach of this Deed by the SKM Parties or the facts, circumstances or event giving rise to such entitlement to terminate.
- (b) If this Deed is terminated in accordance with clause 11.1(d), all rights and obligations under this Deed shall immediately terminate (except for clauses 1, 5, 6.1, 6.2, 8, 10, 12, 13 and 14) but all rights and obligations of the parties which have accrued before termination shall continue to exist

12. GUARANTEE AND INDEMNITY

12.1 Consideration

Jacobs Guarantor agrees it has entered into this Deed for valuable consideration including the SKM Parties, at the request of Jacobs Guarantor, entering into this Deed.

12.2 Guarantee

Jacobs Guarantor unconditionally and irrevocably guarantees to the SKM Parties the performance by Jacobs of the Guaranteed Obligations.

12.3 Principal debtor

- (a) The Guaranteed Obligations are recoverable from, or enforceable against, Jacobs Guarantor as though it had been incurred and owing by Jacobs Guarantor and Jacobs Guarantor was the sole and principal debtor in respect of the Guaranteed Obligations and must be paid or performed by Jacobs Guarantor on demand by the SKM Parties.
- (b) Notwithstanding clause 12.2 or 12.3(a), this clause 12 shall not be construed as imposing greater or different payment obligations or liabilities on Jacobs Guarantor than are imposed on Jacobs under the Transaction Documents, and Jacobs Guarantor shall not have any obligation or liability to any party relating to, arising out of or in connection with the Transaction Documents or the implementation of the Schemes other than as expressly set forth in this clause 12. Jacobs Guarantor reserves the right to assert any and all defences which Jacobs may have to payment of the Guaranteed Obligations.

12.4 Indemnity

- (a) Jacobs Guarantor unconditionally and irrevocably indemnifies the SKM Parties against all Claims arising directly or indirectly from, or which any of the SKM Parties suffers or incurs in connection with, the failure of Jacobs Guarantor or Jacobs to comply with or perform the Guaranteed Obligations.
- (b) The indemnity in clause 12.4(a) remains in effect even if the guarantee under clause 12.2 is not or ceases to be valid or enforceable against Jacobs Guarantor for any reason, provided that the indemnity in clause 12.4 will terminate upon the performance of the Guaranteed Obligations.

12.5 Sole Remedy

Recourse by the SKM Parties against Jacobs Guarantor under this clause 12 shall be the sole and exclusive remedy of the SKM Parties against Jacobs Guarantor or any of its Related

Persons (other than Jacobs) in respect of any liabilities or obligations arising under, or in connection with, the Transaction Documents. Nothing set forth in this clause

12 shall affect, or be construed to give rise to, any liability of Jacobs to the SKM Parties or shall confer or give, or shall be construed to confer or give, to any party other than the SKM Parties any rights or remedies against any party in respect of or relating to any obligation or liability of Jacobs Guarantor arising out of, in connection with or relating to this clause 12.

12.6 Continuing guarantee

- (a) The obligations of guarantees and indemnities in this clause 12: (i) are continuing obligations;
 - (ii) survive termination of this Deed; and
 - (iii) continue in full force and effect until all of the Guaranteed Obligations have been irrevocably performed in full, regardless of any intermediate payment or discharge in whole or in part.
- (b) Jacobs Guarantor's obligations under this Deed are not released or discharged by: (i) Jacobs or Jacobs Guarantor becoming insolvent;
 - (ii) any time, waiver, consent, indulgence or other concession granted to Jacobs;
 - (iii) a release, forbearance to sue, discharge, relinquishment, compounding or compromising of the obligations of any party to this Deed or of the SKM Parties or in respect of the Guaranteed Obligations;
 - (iv) any change in the constitution of Jacobs or Jacobs Guarantor or their absorption in, amalgamation with or merger into, or the acquisition of all or part of their undertaking by, any other person; or
 - (v) an amendment of, supplement to or replacement of the obligations of any party to this Deed, including any amendment, supplement or replacement under which Jacobs' obligations are increased, Jacobs incurs additional obligations or the time and method of payment by Jacobs is varied.

13. GST

13.1 Recovery of GST

If GST is payable, or notionally payable, on a supply made under or in connection with this Deed, the party providing the consideration for that supply must pay as additional consideration an amount equal to the amount of GST payable, or notionally payable, on that supply (the **GST Amount**). Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time that the other consideration for the supply is provided. This clause does not apply to the extent that the consideration for the supply is expressly stated to be GST inclusive or the supply is subject to reverse charge.

13.2 Liability net of GST

Where any indemnity, reimbursement or similar payment under this Deed is based on any cost, expense or other liability, it must be reduced by any input tax credit entitlement, or notional input tax credit entitlement, in relation to the relevant cost, expense or other liability.

13.3 Adjustment events

If an adjustment event occurs in relation to a supply made under or in connection with this Deed, the GST Amount will be recalculated to reflect that adjustment and an appropriate payment will be made between the parties.

13.4 Cost exclusive of GST

Any reference in this Deed to a cost, expense or other similar amount is a reference to that cost, expense or amount exclusive of GST.

13.5 Survival

This clause will not merge upon completion and will continue to apply after expiration or termination of this Deed.

13.6 Definitions

Unless the context requires otherwise, words and phrases used in this clause that have a specific meaning in the GST law (as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth)) will have the same meaning in this clause.

14. GENERAL

14.1 Legal costs

Subject to any express provision in the Transaction Documents to the contrary, each party will bear its own legal and other costs and expenses relating directly or indirectly to the preparation of, and performance of its obligations under, this Deed.

14.2 Amendment

This deed may only be varied or replaced by a document in writing duly executed by Jacobs, Jacobs Guarantor and the SKM Parties.

14.3 Rights cumulative

Subject to any express provision in this Deed to the contrary, the rights of a party under this Deed are cumulative and are in addition to any other rights of that party.

14.4 Approvals and consent

Subject to any express provision in this Deed to the contrary, a party may conditionally or unconditionally give or withhold any consent to be given under this Deed and is not obliged to give its reasons for doing so.

14.5 Further assurance

Each party will promptly execute all documents and do all things that any other party from time to time reasonably requires of it to effect, perfect or complete the provisions of this Deed and any transaction contemplated by it.

14.6 Governing law and Jurisdiction

The Deed will be governed by the laws applicable in the State of New South Wales, Australia and each party will irrevocably and unconditionally submit to the exclusive jurisdiction of the courts of the State of New South Wales, Australia.

14.7 Assignment

- (a) Subject to clause 14.7(b), no party may assign any right under this Deed without the prior written consent of, in the case of the SKM Parties, Jacobs and, in the case of Jacobs, the SKM Parties. A party may withhold consent in its absolute discretion.
- (b) No later than five Business Days prior to the First Court Date, Jacobs may, after providing reasonable notice to the SKM Parties, assign, novate or otherwise deal with any of its right or obligations under this Deed to a member of the Jacobs Group provided that, in the case of a transfer of obligations, the transfer is effected by a deed of novation in the form set out in Annexure 1. At the request of Jacobs, the SKM Parties must execute all documents necessary to give effect to such assignment or transfer, including executing the relevant deed of novation. Jacobs and the SKM Parties will agree in good faith any revisions to the forms of other Transaction Documents necessary to reflect such assignment or transfer.

14.8 Service of process

Without preventing any other mode of service, any document in an action (including any writ of summons or other originating process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of notices under clause 14.15.

14.9 Waivers and variation

- (a) A provision of, or a right, discretion or authority created under, this agreement may not be:
 - (i) waived except in writing signed by the party granting the waiver; and
 - (ii) varied except in writing signed by the parties.
- (b) A failure or delay in exercise, or partial exercise, of a power, right, authority, discretion or remedy arising from a breach of, or default under, this Deed does not result in a waiver of that right, power, authority, discretion or remedy.
- (c) A single or partial waiver of a right relating to this Deed does not prevent any other exercise of that right or the exercise of any other right.
- (d) A party is not liable for any loss, cost or expense of any other party caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right.

14.10 Entire agreement

- (a) This Deed, the other Transaction Documents and the Confidentiality Deed embody the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede any prior negotiation, arrangement, understanding or agreement with respect to the subject matter hereof and thereof, including the Memorandum of Understanding dated 15 March 2013 (among Jacobs Guarantor and the SKM Parties) and all subsequent amendments thereto.

- (b) Each party acknowledges it has not entered into any Transaction Document in reliance on any representation other than one expressly set out or incorporated by reference in a Transaction Document.

14.11 Counterparts

This Deed may consist of a number of counterparts, and if so, the counterparts taken together constitute one and the same instrument.

14.12 Joint and several liability

Unless the context requires otherwise, an obligation of two or more persons in this Deed binds them severally but not jointly.

14.13 Severability

Any provision in this Deed that is invalid or unenforceable in any jurisdiction is to be read down for the purpose of that jurisdiction, if possible, so as to be valid and enforceable, and otherwise shall be severed to the extent of the invalidity or unenforceability, without affecting the remaining provisions of this Deed or affecting the validity or enforceability of that provision in any other jurisdiction.

14.14 Deductions, etc.

- (a) All sums payable by an SKM Party to Jacobs under this Deed shall be paid free and clear of all deductions or withholdings whatsoever unless the deduction or withholding is required by law. If any deductions or withholdings are required by law to be made from any of the sums payable under this Deed, such SKM Party shall pay to Jacobs (except where such deduction or withholding arises solely as a result of Jacobs' direction to pay such amount to its nominee) any sum as will, after the deduction or withholding has been made, leave Jacobs with the same amount as it would have been entitled to receive in the absence of any requirement to make a deduction or withholding.
- (b) If Jacobs incurs a Tax liability that results from, or is calculated by reference to, any sum paid under this Deed, the amount payable shall be increased by such amount as will ensure that, after payment of the Tax liability, Jacobs is left with a net sum equal to the sum it would have received had no such Tax liability arisen.

14.15 Notices

Any notice or other communication under or in connection with this Deed: (a) must be in legible writing;

(b) must be addressed as shown below:

Party	Address	Addressee	Fax
Jacobs Guarantor	Jacobs Engineering Group Inc. 155 North Lake Avenue, Pasadena, CA 91101 USA With a copy to: Paul Hastings LLP 515 South Flower Street 25th Floor Los Angeles, CA 90071 USA	Michael S. Udovic Robert A. Miller	+ 1 626 578 3511 +1 213 627 0705

Party	Address	Addressee	Fax
Jacobs	c/o Jacobs Engineering Group Inc. 155 North Lake Avenue, Pasadena, CA 91101 USA With a copy to: Paul Hastings LLP 515 South Flower Street 25th Floor Los Angeles, CA 90071 USA	Michael S. Udovic Robert A. Miller	+ 1 626 578 3511 +1 213 627 0705
SKMM	Sinclair Knight Merz Management Pty Limited 100 Christie Street St Leonards, NSW 2065 Australia	Paul Casamento	+ 612 9032 1267
SKMH	Sinclair Knight Merz Holdings Limited 100 Christie Street St Leonards, NSW 2065 Australia	Paul Casamento	+ 612 9032 1267

(or as otherwise notified by that party to the other party from time to time);

- (c) must be signed by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the fax number, of the addressee, in accordance with clause (b); and
- (e) is regarded as received by the addressee:

- (i) if sent by prepaid post, on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
- (ii) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety (provided that the fax is legible on its face), unless that local time is not a Business Day, or is after 5.00pm on a Business Day in the place of receipt, when that communication will be regarded as received at 9.00 am on the next Business Day; and
- (iii) if delivered by hand, on delivery at the address of the addressee as provided in this clause 14.15, unless delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00 am on the next Business Day.

- (f) A party may from time to time change its address or numbers for service by notice to the other party.

14.16 Stamp duty

- (a) Jacobs will be liable for and duly pay all Duty (including any fine or penalty and excluding any financial institutions' duty) on or relating to the Transaction Documents (but not, for the avoidance of doubt, any Duty (including fine or penalty) arising in consequence of the SKM Group Internal Restructure).
- (b) If a party other than Jacobs pays any Duty (including any fine or penalty and excluding any financial institutions' duty) on or relating to Transaction Documents (but not, for the avoidance of doubt, any Duty (including fine or penalty) arising in consequence of the SKM Group Internal Restructure) Jacobs must pay that amount to that party upon demand.

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Schedule 1

DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed:

Additional Scheme Consideration means \$120,000,000.

Adjustment has the meaning given in the Sale Agreement.

Adjustment Statements are those statements set forth in Schedule 2 to the Sale Agreement.

Adviser means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity.

Announcements has the meaning given in clause 7.1(a).

ASIC means the Australian Securities and Investments Commission.

Business Day means a day on which banks are open for business in Sydney, Melbourne and Los Angeles excluding a Saturday, Sunday or a day which is a public holiday in Sydney, Melbourne or Los Angeles.

Claim means claims, demands, actions, proceedings, judgments, liabilities, losses, damages, costs and expenses (including legal costs and disbursements), whether present, unascertained, immediate, future or contingent, in any way arising out of or in connection with this Deed, the Sale Agreement or any other Transaction Document.

Competing Party has the meaning given in clause 9.4(c).

Competing Proposal means a fully financed bona fide offer by a Third Party under which, if such offer has been accepted by the SKM Parties, the Third Party would:

- (a) acquire (whether directly or indirectly) or become the holder of, or otherwise have a right to acquire all or a substantial part of the business of the SKM Group;
- (b) acquire a Relevant Interest of 50% or more in SKMM or any member of the SKM Group;
- (c) acquire control (as determined in accordance with section 50AA of the Corporations Act) of SKMM or any member of the SKM Group; or
- (d) otherwise acquire or merge with an SKM Party.

Confidentiality Deed means the confidentiality deed among the SKM Parties and Jacobs Guarantor dated on or around 2 May 2012.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by SKMM and Jacobs.

Deed means this Merger Implementation Deed.

Deed Polls means the deed polls substantially in the forms attached as Annexures 2 and 3 under which each of Jacobs and Jacobs Guarantor covenants (i) in favour of the SKMM Scheme

Shareholders to perform its obligations in accordance with the SKMM Scheme and (ii) in favour of the SKMH Scheme Shareholders to perform its obligations in accordance with the SKMH Scheme.

Disclosure Letter means the disclosure letter from the SKM Parties to Jacobs dated as of the Operative Date and delivered immediately prior to the entry into of this Deed.

Disclosure Supplement has the meaning given in clause 5.2(a).

Dividend Shares means the participating redeemable preference shares or equivalent on issue in SKMH, SKMIH, SKM NZ, SKM Malaysia, SKM Chile, SKM Hong Kong, SKM Europe and SKM Singapore.

Duty means any stamp, transfer, transaction or registration duty or similar charge imposed by any Tax Authority or other Government Agency and includes any interest, fine, penalty, charge or other amount imposed in respect of any of them, but excludes any Tax on the overall net income, profits or gains of any person.

Effective means when used in relation to either the SKMH Scheme or the SKMM Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to that Scheme.

Effective Date means the date the Schemes become Effective.

EGM means the extraordinary general meeting of SKMM, to be held immediately before the Scheme Meetings, to consider and, if thought fit, pass the EGM Resolution.

EGM Resolution means the special resolution, to be passed by holders of Redeemable Voting Preference Shares in SKMM at the EGM, to amend the SKM Group Shareholding Plan to permit and facilitate the Merger and to terminate the SKM Group Shareholding Plan effective upon Implementation.

Encumbrance means:

- (a) any interest or power reserved in or over any interest in any asset including, but not limited to, any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of, or having similar commercial effect to, security for payment of a debt, any other monetary obligation or the performance of any other obligation, or any trust or any retention of title and includes, but is not limited to, any agreement to grant or create any of the above.

Escrow Agent means Bank of America, National Association, Australian Branch or such other person or firm agreed between the parties who will act as the Escrow Agent in accordance with the Escrow Deed.

Escrow Amount has the meaning given in the Sale Agreement.

Escrow Deed has the meaning given in the Sale Agreement.

Exclusivity Period means the period from and including the Operative Date to the earlier of the termination of this Deed and the Implementation Date.

First Court Date means the first day on which an application is made to the Court for an order under section 411(4)(a) of the Corporations Act concerning the Scheme Meetings is heard.

Founder Share means the one issued founder share in SKMM which is held by ODS Investments Pty Limited.

Founder Share Transfer Agreement means the share purchase agreement to be entered into between Jacobs and ODS Investments Pty Limited in the form set out in Annexure 4 pursuant to which the Founder Share shall be transferred to Jacobs upon Implementation.

Fundamental Adjustment Statements means those statements set forth in paragraph 2 (Corporate Matters), paragraph 3 (Insolvency), paragraph 5 (Capitalisation), paragraph 6.3 (Subsidiaries), paragraph 7 (Restrictions on Transfer), paragraph 8 (Title to Shares), paragraph 9 (Capacity and Authority) and paragraph 11 (No Conflict) of Schedule 2 to the Sale Agreement.

GMEC means the Group Management Executive Committee of the SKM Group.

Government Agency means any foreign or Australian government or governmental, semi- governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, as well as any International Funding Institution.

GST has the meaning given in the Sale Agreement.

GST Amount has the meaning given in clause 13.1.

Guaranteed Obligations means the obligations of Jacobs to pay monies under the Transaction Documents, including the Scheme Consideration pursuant to this Deed, the Deed Polls and the Schemes.

Historic Transaction Costs has the meaning given in the Sale Agreement.

Identifying Details has the meaning given in clause 9.4(c).

Implementation means implementation of the Schemes.

Implementation Date means the date on which Implementation occurs which shall be the Second Court Date or if not reasonably practicable then the first Business Day after the Second Court Date, or such other date as may be agreed between Jacobs and the SKM Parties.

Indebtedness means (i) the principal of and premium (if any) in respect of money borrowed or indebtedness in the nature of borrowings incurred, including as may be evidenced by notes, debentures, bonds or other similar instruments, (ii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement, (iii) all obligations under leases, and (iv) all obligations for reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, in each case whether incurred as obligor, guarantor, surety or otherwise (including any other comfort or financial accommodation) and whether secured or unsecured.

Independent Expert means the independent expert in respect of the Schemes appointed by the SKM Parties.

Independent Expert's Report means the report or reports to be issued by the Independent Expert in connection with the Schemes.

Indirect Tax or **Indirect Taxes** means goods and services tax, sales tax, turnover tax or any Tax similar or equivalent to value added tax imposed in any jurisdiction and any similar sales or turnover Tax replacing or introduced in addition to any of the same (together with all penalties, charges and interest) in relation to the same such Indirect Taxes.

Initial Scheme Consideration means the SKMM Scheme Consideration and the SKMH Initial Scheme Consideration.

Integration Committee means a committee comprising senior SKM Group executives and senior Jacobs Group executives, and other persons agreed by the parties.

International Funding Institution means any multilateral development bank (such as the World Bank, Asian Development Bank, and European Bank for Reconstruction and Development), any multilateral financial institution (such as the European Commission), any sub-regional bank (such as the Central American Bank for Economic Integration and the West African Development Bank), or any international aid coordination group (such as the Australian Agency for International Development).

Jacobs Counterproposal has the meaning given in clause 9.4(d).

Jacobs Group means Jacobs Guarantor and each entity under its control, including, after the Implementation Date, the SKM Group.

Jacobs Indemnified Parties means Jacobs Guarantor, its subsidiaries and affiliates and all of their respective directors, officers, employees and agents including, after the Implementation Date, the SKM Group and the directors, officers, employees and agents of each member of the SKM Group.

Jacobs Information means information regarding Jacobs and its Related Bodies Corporate provided by Jacobs to the SKM Parties in writing for inclusion in the Scheme Booklet.

Jacobs Prescribed Occurrence means (other than as required by or as a consequence of this Deed or the Scheme or as agreed to in writing by the SKM Parties) the occurrence of any of the following between the Operative Date and 8:00 am on the Second Court Date:

- (a) Jacobs being in liquidation or provisional liquidation or under administration, having a controller or analogous person appointed to it or any of its property, being unable to pay its debts or otherwise insolvent, becoming insolvent, entering into a compromise with, or assignment for the benefit of, any of its creditors of analogous event; or
- (b) Jacobs becomes unable to pay its debts when they fall due;

Jacobs Warranties means the warranties given by Jacobs in clause 5.3(a).

Leakage has the meaning given in clause 4.5(a).

Leakage Material Adverse Event means the occurrence of Pre-Implementation Leakage in excess of \$10,000,000.

Lender Consents means the written consent of HSBC and Westpac Banking Corporation in a form acceptable to Jacobs (acting reasonably) to the change of control of the SKM Parties inherent in the Schemes, in accordance with the terms of the relevant banking facilities.

Locked Box Date means 31 March 2013.

Loss means any loss, liability, damage, cost, charge, expense, payment which a person pays, suffers, or incurs or is liable for, and a diminution in value of the business of the SKM Group, including (save in respect of the Specified Insurance Policies) any increase in premium under a policy of insurance as a result of a claim. For the avoidance of doubt, a prospective or contingent liability will not constitute a Loss until it is actually suffered or incurred by the relevant person.

Major Client Consent means the consent of BHP, Rio Tinto and Shell to the Schemes and to the continuation of all of their respective outstanding contracts with the SKM Group after Implementation in accordance with their terms.

Material Contract means the contracts listed in Schedule 3 .

Material Lease means each lease identified on Schedule 4.

Merger means the acquisition of the SKM Parties by Jacobs through the implementation of the Schemes.

Merger Resolutions means:

- (a) the EGM Resolution; and
- (b) the special resolution, to be passed in writing by SKMM as the holder of the Group Redeemable Voting Preference Shares in SKMH, to amend the SKMH Constitution to permit and facilitate the Merger.

NZ Call Option means the call option between SKMH and the SKM NZ Shareholders dated 2 August 2012, pursuant to which each SKM NZ Shareholder granted to SKMH the right to require them to exchange all of their SKM NZ Shares for SKMH Shares of an identical number and value.

Operative Date means the date of this Deed.

Payroll System means any system for the deduction and withholding of Tax and/or national insurance or social security contributions (or similar or corresponding obligations) or both from sums paid (or benefits, remuneration or emoluments, including without limitation, any shares or securities) to employees in respect of their employment.

Post-Signing Breach has the meaning given in clause 5.2(a).

Pre-Implementation Leakage has the meaning given in clause 4.5(c).

Project Blue has the meaning set forth in the Disclosure Letter.

Regulatory Approval means any approval, consent declaration, waiver, modification or exemption from, by or with ASIC required to implement the escrow arrangements (taking into account the identity of the Escrow Agent) under the Transaction Documents.

Reimbursement Fee means the amount of \$13,314,000 (exclusive of GST).

Related Body Corporate has the meaning given in the Corporations Act.

Related Person means in respect of a party or its subsidiaries, each director, officer, employee, consultant, advisor, agent or representative of that party or its Related Bodies Corporate.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Representative means, in relation to a person:

- (a) a Related Body Corporate of the person; or
- (b) a director or officer of the person or any of the person's Related Bodies Corporate; or
- (c) an Adviser to the person or any of the person's Related Bodies Corporate.

Retired Officer has the meaning given in clause 6.3(b).

Run-off Insurance means run-off insurance coverage in favour of the SKM Group for employment and personnel liability and crime for a period of three years and directors' and officers' insurance for a period of seven years in accordance with the letter dated 27 August 2013 setting forth the terms of the policies and initialed by Jacobs and the SKM Parties in connection with the execution of this Deed.

Sale Agreement means the agreement in the agreed form which is set out in Schedule 5.

Schemes means the SKMM Scheme and the SKMH Scheme.

Scheme Booklet means the booklet which incorporates the information described in clause 4.3(a)(i) to be approved by the Court and dispatched to the SKMM Shareholders and SKMH Shareholders and which must include the Schemes, the Merger Resolutions and an explanatory statement complying with the requirements of the Corporations Act.

Scheme Consideration means the SKMH Scheme Consideration and the SKMM Scheme Consideration.

Scheme Meetings means the SKMH Scheme Meeting and the SKMM Scheme Meetings.

Scheme Shareholders means, for the SKMH Scheme each SKMH Shareholder as at the SKMH Scheme Record Date and for the SKMM Scheme each SKMM Shareholder as at the SKMM Scheme Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Schemes is heard.

Sellers' Notice has the meaning given in the Sale Agreement.

Sellers' Representative means a representative appointed by the SKMM Scheme Shareholders and the SKMH Scheme Shareholder pursuant to the Sale Agreement and **Sellers' Representatives** means all of them.

Sellers' Representative Costs Account has the meaning given in the Sale Agreement.

SKM Chile means Sinclair Knight Merz Inversiones SpA.

SKM Europe means Sinclair Knight Merz Europe Limited, a company incorporated in England and Wales.

SKM Group means the SKM Parties and each of their direct and indirect subsidiaries and other controlled entities.

SKM Group Indemnified Parties means SKMM, its subsidiaries and all of their respective directors, officers, employees and agents.

SKM Group Information means all information included in the Scheme Booklet, and any updates to that information prepared by or on behalf of the SKM Group in accordance with clause 4.3(a), other than:

- (a) the Jacobs Information and any information solely derived from, or prepared solely in reliance on, Jacobs Information; and
- (b) the Independent Expert's Report.

SKM Group Internal Restructure has the meaning given in the Sale Agreement.

SKM Group Shareholding Plan means the employee shareholding plan of the SKM Group pursuant to which the rights of the holders of the SKMH Shares and the SKMM Shares are governed.

SKM Hong Kong means Sinclair Knight Merz (Hong Kong) Limited.

SKM Malaysia means Sinclair Knight Merz Sdn Bhd.

SKM Material Adverse Event means:

- (a) any event, occurrence or matter that individually or when aggregated with all such events, occurrences or matters diminishes, or is reasonably likely to diminish (whether now or in the future):
 - (i) the consolidated net assets of the SKM Group by an amount equal to \$40,000,000 or more, as compared to the consolidated net assets of the SKM Group as at 23 June 2013 reported in the SKM Group's (or equivalent) financial statements for the financial year ended 23 June 2013; or
 - (ii) the consolidated annual earnings before interest and taxes (EBIT) of the SKM Group by an amount equal to \$20,000,000 or more (which amount will be calculated after taking into account any event, occurrence or matter not disclosed prior to the date of this Deed that has or could reasonably be expected to have a positive effect on the consolidated annual EBIT of the SKM Group), as compared to the consolidated annual EBIT of the SKM Group reported in the SKM Group's (or equivalent) financial statements for the financial year ended 23 June 2013,

other than an event, occurrence or matter arising from Project Blue or that is directly caused by an action or event required to be undertaken or procured by the SKM Group pursuant to this Deed; or

- (b) any act of fraud or corruption or criminal activity by:
 - (i) any director or officer of any member of the SKM Group or a member of GMEC by or on behalf of, or relating to or affecting, any member of the SKM Group; or
 - (ii) any employee of the SKM Group which has an adverse impact on the financial statements of the SKM Group,

other than an event, occurrence or matter arising from Project Blue.

SKM NZ means Sinclair Knight Merz (NZ) Holdings Limited, a company incorporated in New Zealand.

SKM NZ Shareholders means the holders of ordinary shares in SKM NZ.

SKM NZ Shares means ordinary shares in SKM NZ.

SKM Parties means SKMM and SKMH.

SKM Prescribed Occurrence means the occurrence of any of the following:

- (a) any member of the SKM Group issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option, other than to another member of the SKM Group;

- (b) any member of the SKM Group issuing or agreeing to issue securities convertible into shares, other than to another member of the SKM Group;
- (c) the SKM Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (d) any member of the SKM Group making any change to its constitution other than a change to facilitate the Merger;
- (e) any member of the SKM Group acquiring or disposing of or agreeing to acquire or dispose of, or offering, proposing, or announcing a bid, or tendering for any material business, assets, entity or undertaking;
- (f) any member of the SKM Group entering into a contract or commitment restraining any member of the SKM Group from competing with any person or conducting activities in any market;
- (g) any member of the SKM Group creating, or agreeing to create, any mortgage, charge, lien or other Encumbrance over the whole, or a substantial part, of its business or property otherwise than in the ordinary course of business and a lien which arises by operation of law or legislation securing an obligation that is not yet due;
- (h) any member of the SKM Group providing financial accommodation other than to another member of the SKM Group;
- (i) any member of the SKM Group resolving that it be wound up or the making of an application or order for the winding up or dissolution of any member of the SKM Group other than where the application or order (as the case may be) is set aside within 14 days;
- (j) a liquidator or provisional liquidator of any member of the SKM Group being appointed;
- (k) the Court making an order for the winding up of any member of the SKM Group;
- (l) an administrator of any member of the SKM Group being appointed under the Corporations Act;
- (m) any member of the SKM Group ceases, or threatens to cease to, carry on the business conducted as at the Operative Date;
- (n) any member of the SKM Group is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (o) any member of the SKM Group executing a deed of company arrangement;
- (p) a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of any member of the SKM Group;
- (q) any member of the SKM Group entering into or resolving to enter into a transaction with any related party of SKM (other than a related party which is a member of the SKM Group) as defined in section 228 of the Corporations Act;
- (r) any member of the SKM Group being deregistered as a company or otherwise dissolved;
- (s) any member of the SKM Group voluntarily changing any accounting policy applied by it to report its financial position;

- (t) any member of the SKM Group making any material amendments to the terms and conditions of its employees, provided that an SKM Prescribed Occurrence will not include a matter: (i) that is done in the ordinary course of business; (ii) that is required or permitted to be done pursuant to this Deed or the Schemes; (iii) which has been approved in writing by Jacobs; or (iv) which is fairly and accurately disclosed in the Disclosure Letter.

SKM Regulated Event means the occurrence of any of the following events (other than as required to be undertaken or procured by the SKM Group pursuant to, or otherwise as contemplated by, this Deed, or to the extent fairly and accurately disclosed in the Disclosure Letter, or as agreed to in writing by Jacobs):

- (a) any member of the SKM Group converts all or any of its securities into a larger or smaller number of securities;
- (b) any member of the SKM Group reduces, or resolves to reduce, its capital in any way;
- (c) any member of the SKM Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) any member of the SKM Group issues, or agrees to issue, or grants an option to subscribe for, debentures (as defined in section 9 of the Corporations Act), other than to a member of the SKM Group;
- (e) any member of the SKM Group agrees to pay, declares, pays or makes, or incurs a liability to pay or make, a dividend or any other form of distribution of profits or capital, other than the declaration and payment by any member of the SKM Group of a dividend, where the recipient of that dividend is a member of the SKM Group;
- (f) any member of the SKM Group disposes, or agrees to dispose, of shares in any other member of the SKM Group;
- (g) any member of the SKM Group:
 - (i) acquires, leases or disposes of;
 - (ii) agrees to acquire, lease or dispose of; or
 - (iii) offers, proposes or announces an acquisition of,

any entity, business or assets (including the release or waiver of the whole or part of any Indebtedness), other than (A) in the ordinary course of business or (B) as legally committed in any contract fairly and accurately disclosed to Jacobs in the Disclosure Letter;
- (h) other than in the ordinary course of business or as legally committed in any contract disclosed in the Disclosure Letter, any member of the SKM Group enters into any contract or commitment (or any series of related contracts or commitments) that:
 - (i) is for a period of 5 years or more; or
 - (ii) requires or may result in expenditure by any member of the SKM Group (either alone or together with any other member of the SKM Group) of \$10,000,000 or more in any year, or any member of the SKM Group undertakes capital expenditure in excess of \$10,000,000;

- (i) any member of the SKM Group incurs any financial indebtedness or issues any indebtedness or debt securities (or guarantees or forgives or agrees to guarantee or forgive any indebtedness which is owed by a person other than another member of the SKM Group), other than in the ordinary course of business or pursuant to advances under its credit facilities in existence as at the Operative Date where the funds drawn pursuant to those advances are used in the ordinary course of business or in connection with a purpose that is contemplated and permitted in paragraph (g) of this definition;
- (j) any member of the SKM Group:
 - (i) pays any bonus to any director or officer of a member of the SKM Group, other than bonuses payable to executives for the year ended 23 June 2013 in accordance with the employment terms of that executive in existence as at the Operative Date and in the ordinary course of business on the basis of principles consistent with those applied for the payment of bonuses by that member of the SKM Group for the year ended 24 June 2012 (provided that, for the avoidance of doubt, the payment of any bonus in accordance with such employment terms requires that the applicable performance targets or benchmarks relating to the payment of the bonus are satisfied and that any other applicable conditions are fulfilled);
 - (ii) increases the remuneration or compensation of any executive director or executive of any member of the SKM Group other than in accordance with that member's normal salary review procedure conducted in good faith and in the ordinary course of business on the basis of principles consistent with those applied for the normal salary review procedure;
 - (iii) grants to any director or executive of any member of the SKM Group any increase in severance or termination pay or superannuation entitlements; or
 - (iv) makes or agrees to make any material change to the terms of, or waives any claims or rights under, or waives the benefit of any provisions of, any contract of employment with any executive of any member of the SKM Group;
- (k) any member of the SKM Group:
 - (i) changes the terms of any Material Contract;
 - (ii) pays, discharges or satisfies any claims, liabilities or obligations under any Material Contract other than the payment, discharge or satisfaction consistent with past practice and in accordance with its terms; or
 - (iii) waives any material claims or rights under, or waives the benefit of any provision of, any Material Contract; or
- (l) any member of the SKM Group agrees to settle any action, suit, arbitration, legal or administrative proceeding, actual or pending, and whether made by or against the SKM Group, where the amount of the settlement exceeds \$2,000,000.

SKM Singapore means Sinclair Knight Merz (Singapore) Pte Limited.

SKM Specified Person means Santo Rizzuto, Helen Gillies, Paul Casamento, Binu Katari, Greg Shanahan, Kathryn Ellis and, solely with respect to the Tax Adjustment Statements, Iain Cooper.

SKMH Board means the board of directors of SKMH.

SKMH Constitution means the constitution of SKMH.

SKMH Initial Scheme Consideration means \$1,211,403,000, subject to any adjustment in accordance with the Sale Agreement.

SKMH Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between SKMH and the SKMH Shareholders, the form of which is attached as Annexure 5.

SKMH Scheme Consideration means the consideration to be provided to SKMH Scheme Shareholders under the Sale Agreement and the SKMH Scheme, being:

- (a) the SKMH Initial Scheme Consideration, payable on the Implementation Date; and
- (b) so much of the Escrow Amount payable in accordance with the Sale Agreement.

SKMH Scheme Meeting means the meeting of SKMH Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

SKMH Scheme Record Date means the Business Day immediately before the Effective Date or such other date as the SKM Parties and Jacobs agree.

SKMH Scheme Share means a SKMH Share held by a SKMH Scheme Shareholder.

SKMH Scheme Shareholder means each SKMH Shareholder as at the SKMH Scheme Record Date.

SKMH Share means an Ordinary Share (having the rights, powers, privileges and restrictions set out in respect of an Ordinary Share under the constitution of SKMH) in the capital of SKMH and **SKMH Shares** means all of them.

SKMH Shareholder means each person who is registered as a holder of Ordinary Shares in SKMH's register of members and **SKMH Shareholders** means all of them.

SKMM Board means the board of directors of SKMM.

SKMM Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between SKMM and the SKMM Shareholders, the form of which is attached as Annexure 6.

SKMM Scheme Consideration means the consideration to be provided by Jacobs to SKMM Scheme Shareholders in accordance with the SKMM Scheme and the relevant Deed Poll, being \$11,799.

SKMM Scheme Meeting means the meeting of SKMM Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

SKMM Scheme Record Date means the Business Day immediately before the Effective Date or such other date as the SKM Parties and Jacobs agree.

SKMM Scheme Share means a SKMM Share held by a SKMM Scheme Shareholder.

SKMM Scheme Shareholder means each SKMM Shareholder as at the SKMM Scheme Record Date.

SKMM Share means a Redeemable Voting Preference Share (having the rights, powers, privileges and restrictions set out in respect of a Redeemable Voting Preference Share under the constitution of SKMM) in the capital of SKMM, and SKMM Shares means all of them.

SKMM Shareholder means each person who is registered as a holder of Redeemable Voting Preference Shares in SKMM's register of members and **SKMM Shareholders** means all of them.

Specified Insurance Policies means the Tail Insurance policies, the W&I Insurance policies and the Run-off Insurance policies.

Sunset Date means 31 December 2013 or such later date as the SKM Parties and Jacobs agree in writing.

Superior Proposal means a Competing Proposal which, in the opinion of the SKMM Board and SKMH Board, acting reasonably and in good faith (after consultation with their external legal and financial advisers), compared to the Merger, provides or would, if implemented, provide a superior outcome to SKMH Shareholders and SKMM Shareholders.

Tail Insurance means tail insurance coverage, on substantially the same terms as the SKM Group's current insurance coverage, in favour of SKMM and its subsidiaries for \$100,000,000 for a period of five years in accordance with the placing slip initiated by Jacobs and the SKM Parties in connection with the execution of this Deed.

Takeovers Panel means the body established under section 171 of the *Australian Securities and Investments Commission Act 2001* (Cth) as the primary forum for resolving disputes about takeovers.

Taxation or Tax means (without limitation) any corporation tax, advance corporation tax, income tax (including income tax or amounts on account of income tax required to be deducted or withheld from or accounted for in respect of any payment), capital gains tax, inheritance tax, Indirect Tax, employment, payroll (including any liability in connection with a failure to properly operate a lawful Payroll System) national insurance and/or social security contributions, capital duty, stamp duty, stamp duty reserve tax, stamp duty land tax, duties of customs and excise, petroleum revenue tax, all taxes, duties or charges replaced by or replacing any of them, and all other taxes on gross or net income, profits or gains, distributions, receipts, sales, use, occupation, franchise, value added, goods and services and personal property, and all levies, imposts, duties, charges or withholdings in the nature of taxation, and any payment whatsoever which the relevant person may be or become bound to make to any person as a result of the discharge by that person of any tax which the relevant person has failed to discharge, together with all penalties, charges and interest relating to any of the foregoing or to any late or incorrect return in respect of any of them, and regardless of whether any such taxes, levies, duties, imposts, charges, withholdings, penalties and interest are chargeable directly or primarily against or attributable directly or primarily to the relevant person or any other person and of whether any amount in respect of any of them is recoverable from any other person (and, for the avoidance of doubt, includes any taxes on third parties such as employees for which a member of the SKM Group may become liable as a withholding or reporting agent).

Tax Authority means any Government Agency (whether within Australia or otherwise) competent to impose any Tax liability or assess or collect any Tax.

Third Party means a person other than Jacobs or its Related Bodies Corporate. **Title Adjustment Statement** has the meaning given in the Sale Agreement. **Transaction Costs Estimate** has the meaning given in the Sale Agreement.

Transaction Documents means this Deed, the Disclosure Letter, the Deed Polls, the Scheme Booklet, the Escrow Deed, the Sale Agreement, the Founder Share Transfer Agreement and any other document entered into in connection with the Schemes.

W&I Insurance means insurance coverage in favour of Jacobs in respect of certain Claims arising under, or breach of, the Sale Agreement or the Merger Implementation Deed, for \$250,000,000 for a period of three years for certain Recovery Matters (other than in respect of Tax) and for a period of seven years for certain Recovery Matters in respect of Tax in accordance with the policy initiated by Jacobs and the SKM Parties and the follow policies referred to therein.

1.2 Interpretation

Except where the context otherwise requires, in this document:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Deed have a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any Government Agency;
- (e) a reference to a clause, party, attachment, exhibit, schedule or annexure is, unless otherwise indicated, a reference to a clause of, and a party, attachment, exhibit, schedule and annexure to this Deed, and a reference to this Deed includes any attachment, exhibit and schedule;
- (f) any reference to an Australian law or Australian legal term for any action, statute, regulation, remedy, method of juridical proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than Australia, be deemed to include a reference to that which most nearly approximates to the Australian legal term in that jurisdiction;
- (g) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (h) a reference to any document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (i) the word 'includes' in any form is not a word of limitation;
- (j) a reference to '\$' or 'dollar' is to Australian currency;
- (k) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney, Australia;
- (l) references to "costs" and/or "expenses" incurred by a person shall not include any amount in respect of Indirect Tax comprised in such costs or expenses for which either that person or, if relevant, any other member of any group to which that person belongs for Indirect Tax purposes is entitled to recover (whether by credit, repayment or otherwise);
- (m) a reference to a liability incurred by any person includes any liability of that person arising from or in connection with any obligation (including indemnities and all other obligations owed as principal or guarantor):
 - (i) whether liquidated or not;
 - (ii) except in relation to Loss, whether present, prospective or contingent; and
 - (iii) whether owed, incurred or imposed by or to or on account of or for the account of that person alone, severally or jointly or jointly and severally with any other person;
- (n) a reference to a party using or an obligation on a party to use its best endeavours or reasonable endeavours does not oblige that party to:

- (i) pay money:
 - in the form of an inducement or consideration to a third party to procure something (other than the payment of immaterial expenses or costs, including costs of advisers, to procure the relevant thing); or
 - in circumstances that are commercially onerous or unreasonable in the context of this Deed;
- (ii) provide other valuable consideration to or for the benefit of any person; or
- (iii) agree to commercially onerous or unreasonable conditions;
- (o) a reference to a term defined in the Schemes or Sale Agreement will be taken to be a reference to the agreed terms annexed to this Deed, until the Schemes and Sale Agreement become Effective; and
- (p) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Deed.

1.3 Knowledge of SKM Parties

Where an Adjustment Statement or certification states that it is "to the best of the knowledge" of the Sellers or an SKM Party or the SKM Parties (or with a similar qualification as to the knowledge or awareness of the Sellers or the SKM Parties), the Sellers or SKM Party will be deemed to know or be aware of a particular fact, matter or circumstance, if any SKM Specified Person is aware of that fact, matter or circumstance after having made due and careful enquiry in respect of the relevant Adjustment Statement or certification, it being acknowledged by the SKM Parties that such enquiry has been made.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Entry into this document

Each party acknowledges that it has entered into this Deed for valuable consideration.

Schedule 5

SALE AGREEMENT

[See attached]



Sale Agreement

between

The shareholders of Sinclair Knight Merz Management Pty Limited ACN 087 978 970 as at the SKMM Scheme Record Date

(SKMM Sellers)

and

The shareholders of Sinclair Knight Merz Holdings Limited ACN 001 024 102 as at the SKMH Scheme Record Date

(SKMH Sellers)

and

Sinclair Knight Merz Management Pty Limited (ACN 087 978 970) of 100 Christie Street, St Leonards NSW 2065, Australia

(SKMM)

and

Sinclair Knight Merz Holdings Limited (ACN 001 024 102) of 100 Christie Street, St Leonards NSW 2065, Australia

(SKMH)

and

Jacobs Australia Holdings Company Pty. Ltd. (ACN 165 641 592) of Level 6, 600 St Kilda Rd, Melbourne, 3004 Australia

(Jacobs)

and

the Sellers' Representatives

Jones Day
Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000
Tel: 61 2 8272 0500
Fax: 61 2 8272 0599

www.jonesday.com

Date 2013

Parties

The shareholders of Sinclair Knight Merz Management Pty Limited ACN 087 978 970 as at the SKMM Scheme Record Date (SKMM Sellers)

The shareholders of Sinclair Knight Merz Holdings Limited ACN 001 024 102 as at the SKMH Scheme Record Date (SKMH Sellers)

(each a Seller and collectively the Sellers)

Sinclair Knight Merz Management Pty Limited (ACN 087 978 970) of 100 Christie Street, St Leonards NSW 2065, Australia **(SKMM)**

Sinclair Knight Merz Holdings Limited (ACN 001 024 102) of 100 Christie Street, St Leonards NSW 2065, Australia **(SKMH)**

Jacobs Australia Holdings Company Pty. Ltd. (ACN 165 641 592) of Level 6, 600 St Kilda Rd, Melbourne, 3004 Australia **(Jacobs)**

the Sellers' Representatives

Recitals

- 1 The registered holders of the Sale Shares for the purposes of this Agreement will be those persons specified in the Sellers' Notice, being all of the SKMM Sellers and the SKMH Sellers, each holding the Sale Shares specified against that person's name.
- 2 The boards of directors of SKMM and SKMH have resolved that SKMM and SKMH should propose the Schemes. The effect of the Schemes will be that all of the Sale Shares will be transferred to Jacobs.
- 3 On 8 September 2013, SKMM, SKMH, Jacobs and Jacobs Guarantor entered into the Merger Implementation Deed in respect of the Schemes on the terms set out therein. The parties have agreed that Jacobs shall be entitled to recover in respect of certain matters relating to the Sellers and the SKM Group, and this Agreement sets out, amongst other things, the recourse Jacobs is to have as against the Sellers in respect of those matters and the terms on which it may recover for Loss.
- 4 Each of the Sellers' Representatives has been appointed by the Sellers and is duly authorised to act as attorney for all of the Sellers with respect to taking all actions required or permitted to be taken on behalf of all of the Sellers in accordance with the terms of this Agreement.

This Agreement witnesses as follows:

1. Interpretation

1.1 Definitions

The meanings of the terms used in this Agreement are set out below.

Accounting Standards	means: (a) accounting standards as that term is defined in the Corporations Act; and (b) to the extent not inconsistent with paragraph (a), generally accepted accounting standards, principles and practices, as consistently applied in Australia.
Accounts	means the audited consolidated accounts (comprising a balance sheet and profit and loss account) for SKMH and its controlled entities for the twelve months to, and as of the Accounts Date.

Accounts Receivable Guarantee	means any Adjustment to the Additional Scheme Consideration in respect of Accounts Receivable in accordance with clause 7.
Actual Deduction Amount	has the meaning given in clause 4.2(b).
Additional Amount	has the meaning given in clause 11.2.
Additional Scheme Consideration	has the meaning given in the Merger Implementation Deed.
Adjustment	has the meaning given in clause 3.2(a).
Adjustment Event	has the meaning given in the GST Act.
Adjustment Statements	means each of the matters in Schedule 2.
Age Based Liability Compromise	means (i) the schemes of arrangement and (ii) the deeds of release between the relevant members of the SKM Group and their respective employee and former employee shareholders in relation to certain age-based provisions historically included in the SKM Group Shareholding Plan.
Agreement	means this Sale Agreement.
Amount Incurred	has the meaning given in clause 11.5(a).
Anti-Corruption Law	means the United States Foreign Corrupt Practices Act of 1977, the United Kingdom Bribery Act 2010 and the Australian Criminal Code Amendment (Bribery of Foreign Public Officials) Act 1999 (Cth) (in each case, as amended from time to time) and all other Laws that prohibit the bribery of, the providing of or the acceptance of unlawful gratuities, facilitation payments or other benefits to or from, any Government Official or any other person, as well as any such prohibitions of an International Funding Institution.
Approved Schemes	has the meaning given in paragraph 23.8(f) of Schedule 2.
Arbitral Tribunal	has the meaning given in clause 13.2(a).
Business	means the business conducted by the SKM Group.
Business Day	has the meaning given in the Merger Implementation Deed.
Chilean Shareholder Loan	means each loan deed entered into between SKMH and a Seller or its nominee who is resident in Chile in connection with the SKM Group Internal Restructure.
Claim	has the meaning given in the Merger Implementation Deed.
Compensated Amount	has the meaning given in clause 8.6(a)(2).
Confidentiality Deed	has the meaning given in the Merger Implementation Deed.
Consideration	has the meaning given in clause 11.1.
Corporations Act	means the Corporations Act 2001 (Cth).
CVR Notes	means the contingent value rights loan notes issued by SKMH in connection with the Age Based Liability Compromise.
CVR Tax Deduction	has the meaning given in clause 8.6(c).
Data Site	means the electronic data site set up in connection with the transactions contemplated hereunder pursuant to which the Disclosure Materials have been made available to Jacobs.
Direct Offset	means, with respect to an account, the set off of the unbilled portion (work in progress) against a Negative WIP balance which relates to one contractual arrangement which has been established for operational expediency.
Disclosure Letter	has the meaning given in the Merger Implementation Deed.
Disclosure Materials	means all written information provided by or on behalf of the SKM Group to Jacobs or Jacobs' Representatives in the electronic data room established by the SKM Group in connection with the Due Diligence process.
Dividend Shares	has the meaning given in the Merger Implementation Deed.
Due Diligence	means the enquiries Jacobs has made into the business, finances and affairs of the SKM Group prior to the entry into this Deed.

Duty	has the meaning given in the Merger Implementation Deed.
Effective Date	has the meaning given in the Merger Implementation Deed.
Encumbrance	has the meaning given in the Merger Implementation Deed.
Environment	means the natural and man made environment, including air (whether within buildings or within other natural or man made structures above or below ground), water (whether under or within land or in drains or sewers and inland waters), land and any living organisms or systems supported by those media.
Environmental Claim	means any Claim or Loss arising (i) pursuant to, or in connection with, an actual or alleged violation of any Environmental Law; (ii) in connection with any Hazardous Substances; (iii) from any abatement, removal, remedial, corrective or other response action taken in connection with Hazardous Substances or Environmental Law or otherwise; or (iv) from any actual or alleged damage, injury, threat or harm to health, safety, natural resources, wildlife or the Environment.
Environmental Law	means all applicable Laws, regulations, judgments, orders, instructions or awards of any court or competent authority and all codes of practice, industry agreements and guidance notes which relate or apply to the Environment or human health and safety and includes all Laws relating to actual or threatened emissions, seepages, discharges, escapes, releases or leaks of pollutants, contaminants or Hazardous Substances and those Laws relating to the creation, handling, storage or disposal of the same.
Environmental Permits	has the meaning given in paragraph 24.1 of Schedule 2.
Escrow Account	means the interest-bearing account administered by the Escrow Agent in accordance with the Escrow Deed in respect of the Additional Scheme Consideration.
Escrow Agent	has the meaning given in the Merger Implementation Deed.
Escrow Amount	means the amount (including any accrued interest) standing to the credit of the Escrow Account at the relevant time.
Escrow Deed	means the deed between the Sellers' Representatives, Jacobs and the Escrow Agent so entitled that will contain provisions reflecting the operation of the Escrow Account and the Escrow Agent's payment obligations described in this Agreement.
Event	means any transaction, event, circumstance, action or omission, including the execution of and completion of this Agreement and any Transaction Document, any of the Adjustment Statements being untrue, inaccurate or misleading as at the dates on which they are given (or deemed to be given), the issuance, grant, exercise, release, transfer, exchange, vesting, variation, disposal, redemption or cancellation at any time of shares or securities (including a right to acquire shares or securities or an interest in shares or securities), any change in the residence of any person for the purposes of any Tax or any member of the SKM Group becoming, being or ceasing to be a member of a group of companies (however defined) or becoming or ceasing to be associated or connected with any person for the purposes of any Tax, and in any one case or more whether alone or in any combination.
Finally Determined	means the determination in respect of any Claim, which has either been (i) consented to in writing by a Sellers' Representative; (ii) has become due and payable under applicable law and cannot be disputed, appealed, compromised or otherwise contested under applicable Law; (iii) has been determined pursuant to a final, nonappealable judgement or similar determination of the Arbitral Tribunal, a Tax Authority, court or other tribunal of competent jurisdiction; or (iv) settled or compromised by Jacobs following the Sellers' Representatives unreasonably withholding or delaying its consent pursuant to clause 9.7(a)(5).

First Adjustment Amount	means \$60,000,000.
First Adjustment Date	means 1 December 2014.
First Unresolved Claims Quantum	means the quantum (or estimated quantum) of any Claims by Jacobs which have been notified to the Sellers' Representatives in a Notice of Claim before the First Adjustment Date and have not been Finally Determined as at the First Adjustment Date.
Founder Share Transfer Agreement	has the meaning given in the Merger Implementation Deed.
Government Agency	has the meaning given in the Merger Implementation Deed.
Government Contract	means any contract, sub-contract, agreement or arrangement, joint venture, basic ordering agreement, letter contract, purchase order, delivery order, task order, grant, cooperative agreement, change order, arrangement or other commitment or funding vehicle of any kind relating to any business between any member of the SKM Group and a Government Agency or company owned by a Government Agency as the prime contracting party.
Government Contract Bid	means any and all quotations, bids and proposals for awards of new Government Contracts made by the SKM Group for which no award has been made and for which the SKM Parties believe there is a reasonable prospect that such an award to the relevant member or members of the SKM Group may yet be made.
Government Official	means any officer or employee of any government or any department, agency or instrumentality thereof, or of any government-owned or government-controlled corporation or any public international organization, or any person acting in an official capacity for or on behalf of any such government or department, agency, instrumentality, corporation or a public international organization.
GST	means goods and services tax, sales tax, turnover tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Act	means the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
GST Group	has the same meaning as in the GST Act.
GST Law	has the same meaning as in the GST Act.
Hazardous Substances	means any substance or organism which alone or in combination with others is capable of causing harm to human health or damage to the Environment and includes any hazardous or toxic materials, pollutants and Waste.
Historic Tax Returns	means any Tax Returns or filings relating to a period commencing and ending before the Implementation Date which were also filed prior to the Implementation Date.
Historic Transaction Costs	means all actual transaction costs and expenses of the SKM Group incurred in the period from 31 March 2013 through 23 August 2013 itemised in the list provided by the SKM Parties to Jacobs prior to the Operative Date, which list has been initialled by the SKM Parties and Jacobs.
ICC	has the meaning given in clause 13.1.
Implementation	has the meaning given in the Merger Implementation Deed.
Implementation Date	has the meaning given in the Merger Implementation Deed.
Income Expenses	has the meaning given in clause 23.2(c)(7) of Schedule 2.
Income, Profits or Gains	means income, profits, gains and any other consideration, value, receipt or measure by reference to which Tax is chargeable or assessed.
Indebtedness	has the meaning given in the Merger Implementation Deed.
Indirect Tax or Indirect Taxes	has the meaning given in the Merger Implementation Deed.

Initial Scheme Consideration	has the meaning given in the Merger Implementation Deed.
Insurance Deduction Notice	has the meaning given in clause 4.2(b).
Insurance Policy	means any policy of insurance in respect of which any member of the SKM Group or Jacobs is able to recover any Loss suffered by it, which such Loss arises from a Recovery Matter, including (without limitation) the Specified Insurance Policies, and Insurance Policies means all of them.
Intellectual Property	means collectively, (i) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all foreign or domestic design patents, utility patents and pending applications therefor and all renewals, reissues, reexaminations, divisionals, continuations, continuations in part and extensions thereof; (ii) all trademarks, service marks, trade names, trade dress, logos and all internet domain name registrations and all applications, registrations and renewals in connection therewith; (iii) all published and unpublished works of authorship, copyrights (registered or unregistered), databases, web sites, computer source code, executable code, programs and other software (including all machine readable code, printed listings of code, documentation and related property and information, whether embodied in software, firmware or otherwise) and all applications, registrations and renewals in connection therewith (if any); and (iv) all trade secrets, know how, inventions and other confidential proprietary technical, business and other information including production processes and techniques, research and development information, technology, drawings, specifications, designs, plans, proposals, technical data, copyrightable technical data, financial marketing and business data and customer and supplier lists and information.
Interim Accounts	means the unaudited accounts (comprising a balance sheet and profit and loss account) for SKMH and its controlled entities for the period ending and as at 9 December 2012.
International Funding Institution	has the meaning given in the Merger Implementation Deed.
Jacobs Guarantor	has the meaning given in the Merger Implementation Deed.
Jacobs Group	has the meaning given in the Merger Implementation Deed.
Jacobs Indemnified Party	has the meaning given in the Merger Implementation Deed.
Jacobs Information	has the meaning given in the Merger Implementation Deed.
Jacobs Specified Person	means (i) the General Counsel, (ii) the Vice President and Corporate Secretary or (iii) any Executive Vice President, in each case, of Jacobs Guarantor.
Joint Direction	means a joint written instruction signed by Jacobs and a Sellers' Representative to the Escrow Agent in accordance with the Escrow Deed in respect of amounts in the Escrow Account.
Law	means any national, federal, regional, provincial, state, municipal, local or foreign law or enforceable ordinance, order, decree, rule or regulation.
Leakage	has the meaning given in the Merger Implementation Deed.
Leased Real Estate	means any property leased, used or occupied by any member of the SKM Group pursuant to a Real Property Lease.
Legal Opinion	has the meaning given in clause 9.1(f).
Locked Box Date	has the meaning given in the Merger Implementation Deed.
Locked Box Date Accounts	means the pro forma combined balance sheet of the SKM Group (together with supporting balance sheets) as at (and including) the Locked Box Date, as set out in Schedule 3 to this Agreement.
Loss	has the meaning given in the Merger Implementation Deed.

Management Accounts	means the unaudited consolidated accounts (comprising a balance sheet and profit and loss account) for SKMH and its controlled entities for the twelve months to, and as of 23 June 2013.
Material Contract	has the meaning given in the Merger Implementation Deed.
MEC Group	means Multiple Entry Consolidated Group as defined in the Income Tax Assessment Act 1997.
Merger	has the meaning given in the Merger Implementation Deed.
Merger Implementation Deed	means the Merger Implementation Deed dated 8 September 2013 among the SKM Parties, Jacobs and Jacobs Guarantor.
Negative WIP	means billings in excess of costs and accrued earnings on contracts in progress.
Notice of Claim	has the meaning given in clause 9.1(a).
Notice of Dispute	has the meaning given in clause 9.2(a).
Operative Date	has the meaning given in the Merger Implementation Deed.
Owned Intellectual	means all Intellectual Property owned by the SKM Group.
PAYG Instalments	has the meaning given in the Australian Tax Administration Act 1953.
PAYG Withholding	has the meaning given in the Australian Tax Administration Act 1953.
Plan	has the meaning given in paragraph 28.1 of Schedule 2.
Pre-Implementation Leakage	has the meaning given in the Merger Implementation Deed.
Pre-Implementation Tax Return	means any Tax Returns or filings relating to a period which includes a period before Implementation but due to be filed or lodged after Implementation.
Previous Accounts	means the audited consolidated accounts (comprising a balance sheet and profit and loss account) for SKMH and its controlled entities for the financial years ending, and as at, 26 June 2011 and 27 June 2010.
Proportionate Share	means in respect of an SKMH Scheme Shareholder, the number of SKMH Scheme Shares held by that SKMH Scheme Shareholder on the SKMH Scheme Record Date as a proportion of the aggregate number of SKMH Scheme Shares outstanding and on issue at such time.
Real Property Lease	means any contract, sub-contract, agreement or arrangement currently in effect pursuant to which any member of the SKM Group leases real property.
Recovered Amount	has the meaning given in clause 8.6(a)(3).
Recovery Matters	means the matters set out in clause 8.1 on the basis of which Jacobs, the SKM Parties and the Sellers have agreed that the Additional Scheme Consideration (and in the case of a Title Adjustment Statement, the Initial Scheme Consideration) may be adjusted in accordance with clause 8.2.
Registered Intellectual Property	has the meaning given to that term in paragraph 29.1 of Schedule 2.
Recipient	has the meaning given in clause 11.2.
Related Persons	has the meaning given in the Merger Implementation Deed.
Release Notice	has the meaning given in clause 9.3(a).
Released Amounts	has the meaning given in clause 8.2.
Relevant Seller	means the particular Seller to whom a Title Adjustment Statement
Representative	has the meaning given in the Merger Implementation Deed.

Rights	means all dividends or other accreditations, rights, distributions, entitlements or benefits of whatever kind, either cash or otherwise (including, without limitation, all rights to receive distributions and to receive or subscribe for shares and all other distributions or entitlements declared, paid or issued by the SKM Group) declared, paid, or arising or accruing directly or indirectly in respect of the Sale Shares or the shares of a member of the SKM Group after the Implementation Date.
Sale Shares	1 for the Sellers, the SKMM Scheme Shares and the SKMH Scheme Shares, 2 for each Seller, the number of shares specified against that Seller's name in the Sellers' Notice, and all Rights attaching to those securities.
Sanctioned Countries	means Burma (Myanmar), Cuba, Iran, North Korea, Sudan and Syria.
Sanctions Laws and Regulations	means sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control (including, without limitation, a person designated as a "specially designated national" or "blocked person" thereunder), the U.S. Department of State, the U.S. Department of Commerce's Bureau of Industry and Security, the Department of Foreign Affairs and Trade of Australia, the United Nations Security Council, the European Union, Her Majesty's Treasury or other relevant sanctions authority, including but not limited to any requirements imposed by, or based upon, the obligations or authorities set forth in the U.S. Trading With the Enemy Act, the U.S. International Emergency Economic Powers Act, the U.S. United Nations Participation Act, the U.S. Syria Accountability and Lebanese Sovereignty Act, Iranian Transaction Regulations, the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010, the Iran Sanctions Act, the National Defense Authorization Acts for Fiscal Years 2012 and 2013, the Iran Threat Reduction and Syria Human Rights Act of 2012, all as amended, any of the foreign assets control regulations of the U.S. Department of Treasury (including, without limitation, 31 CFR, Subtitle B, Chapter V), all as amended, any enabling legislation or executive order relating thereto, or any similar sanctions imposed or administered by or based upon the obligations or authorities of the Department of Foreign Affairs and Trade of Australia, Her Majesty's Treasury, the European Union or the United Nations Security Council or other relevant sanctions authority.
Schemes	means the SKMM Scheme and the SKMH Scheme.
Scheme Booklet	has the meaning given in the Merger Implementation Deed.
Scheme Consideration	means the sum of the Initial Scheme Consideration and the Additional
Second Adjustment	means \$60,000,000.
Second Adjustment	means the date that is three (3) years from the Implementation Date, or if such date is not a Business Day then the first Business Day after such date.
Second Unresolved Claims Quantum	means the quantum (or estimated quantum) of any Claims by Jacobs which have been notified to the Sellers' Representatives in a Notice of Claim on or after the First Adjustment Date and before the Second Adjustment Date and have not been Finally Determined as at the Second Adjustment Date.
Sellers' Notice	means the notice setting forth each of the SKMH Scheme Shareholders and SKMM Scheme Shareholders and the number of Sale Shares held by each, substantially in the form of Schedule 6.
Sellers'	means as at the date of this Agreement the individuals named in Schedule 1 and thereafter any replacement Sellers' Representative designated and approved under clause 2.1(c).

Sellers' Representative Costs Account	means the interest-bearing account administered by the Sellers' Representatives in accordance with this Agreement in respect of the Sellers' Representative Costs Amount.
Sellers' Representative Costs Amount	means the amount (including any accrued interest) standing to the credit of the Sellers' Representative Costs Account at the relevant time.
Significant Customer	means any customer of the SKM Group from which the SKM Group derived revenues of \$12,000,000 or greater in any of the SKM Group's three fiscal years ended 23 June 2013.
Significant Supplier	means any supplier of the SKM Group to which the SKM Group paid \$12,000,000 or greater for goods or services in any of the SKM Group's three fiscal years ended 23 June 2013.
SKM AUS Group	means all Australian subsidiaries that are members of the SKM Group as well as SKMIH.
SKM AUS Consolidated Group	means the consolidated group as defined in the Australian Income Tax Assessment Act 1997 as at the Implementation Date as set forth on Schedule 4.
SKM Group	has the meaning given in the Merger Implementation Deed.
SKM Group Agreed	means the steps to effect the SKM Group Internal Restructure set
SKM Group Internal	means the restructure of the SKM Group on the terms set out in the SKM Group Agreed Restructure Steps.
SKM Group Shareholding Plan	has the meaning given in the Merger Implementation Deed.
SKM NZ	has the meaning given in the Merger Implementation Deed.
SKM Parties	has the meaning given in the Merger Implementation Deed.
SKM Specified Person	has the meaning given in the Merger Implementation Deed.
SKM Thailand	means Sinclair Knight Merz (Thailand) Co. Limited.
SKMH Initial Scheme Consideration	has the meaning given in the Merger Implementation Deed.
SKMH Scheme	means the scheme of arrangement between SKMH and the holders of the SKMH Scheme Shares pursuant to section 411 of the Corporations Act.
SKMH Scheme Consideration	has the meaning given in the Merger Implementation Deed.
SKMH Scheme Record Date	has the meaning given in the Merger Implementation Deed.
SKMH Scheme Share	has the meaning given to Scheme Share in the SKMH Scheme.
SKMH Scheme Shareholder	has the meaning given in the Merger Implementation Deed.
SKMH Share	has the meaning given in the SKMH Scheme.
SKMIH	means Sinclair Knight Merz International Holdings LLC.
SKMM Scheme	means the scheme of arrangement between SKMM and the holders of the SKMM Scheme Shares pursuant to section 411 of the Corporations Act.
SKMM Scheme Consideration	has the meaning given in the Merger Implementation Deed.
SKMM Scheme Record Date	has the meaning given in the Merger Implementation Deed.
SKMM Scheme Share	has the meaning given to Scheme Share in the SKMM Scheme.
SKMM Scheme Shareholder	has the meaning given in the Merger Implementation Deed.
SKMM Share	has the meaning given in the SKMM Scheme.
Specified Insurance Policies	has the meaning given in the Merger Implementation Deed.

Supplier	has the meaning given in clause 11.2
Tax or Taxation	has the meaning given in the Merger Implementation Deed.
Tax Act	means the ITAA 36, the ITAA 97, the <i>Taxation Administration Act 1953</i> (Cth), the <i>Income Tax Rates Act 1986</i> (Cth) and <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth), each in Australia and in each case as amended.
Tax Assessment	means any assessment, demand, determination or other similar notice of a liability for Tax issued by or on behalf of any Tax Authority by virtue of which any member of the SKM Group or any other person either is liable to make a payment of Tax or will, with the passing of time, become liable (in the absence of any successful application to postpone any such payment) and shall also mean any self-assessment made by the SKM Group or any other person in respect of any amount of Tax which any of them either is liable to pay or will, with the passing of time, become liable to pay.
Tax Authority	has the meaning given in the Merger Implementation Deed.
Tax Law	means any Law relating to either Tax or Duty as the context requires and includes tax Laws and implementing guidance, or published practice of the relevant Tax Authority in each country that may be applicable.
Tax Refund	has the meaning given in clause 8.6(b).
Tax Returns	means all returns, declarations, reports, claims for refund, information statements and other documents relating to Taxes, including all schedules and attachments thereto, and including all amendments thereof.
Third Party Claim	means any Claim by a third party (including any Government Agency or foreign government agency) against a member of the SKM Group or the Jacobs Group, in respect of which an Adjustment may occur in accordance with clause 3.2(a).
Third Party Shareholder Arrangements	means every agreement or arrangement pursuant to which an individual or entity other than another member of the SKM Group holds legal or beneficial title to any shares in a member of the SKM Group. Title Adjustment Statement means an A
Title Adjustment Statement	means an Adjustment Statement in paragraph 7.1 or 8 of Schedule 2.
Transaction Costs Estimate	means the estimate of all transaction costs and expenses of the SKM Group from 24 August 2013 through the Implementation Date (including amounts payable after the Implementation Date) itemised in the list provided by the SKM Parties to Jacobs prior to the Operative Date, which list has been initialled by the SKM Parties and Jacobs.
Transaction Documents	has the meaning given in the Merger Implementation Deed.
Unpaid Accounts Receivable	has the meaning given in clause 7.1.
Warehoused Shares	means any shares in a member of the SKM Group which were purchased by another member of the SKM Group from a departing shareholder pursuant to the SKM Group Shareholding Plan and are held beneficially or legally by that member of the SKM Group.
Waste	means any discarded, unwanted, broken, spoiled or surplus substance, material or article.

1.2 Interpretation

In this Agreement, headings are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) except as set forth in clause 11.7, any capitalised term used but not defined in this Agreement shall have the meaning given in the Merger Implementation Deed;
- (b) words importing the singular include the plural and vice versa
- (c) words importing a gender include any gender;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Agreement have a corresponding meaning;
- (e) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust, any other entity and any Government Agency;
- (f) a reference to a clause, party, attachment, exhibit or schedule is, unless otherwise indicated, a reference to a clause of, and a party, attachment, exhibit and schedule to this Agreement, and a reference to this Agreement includes any attachment, exhibit and schedule;
- (g) any reference to an Australian Law or Australian legal term for any action, remedy, method of juridical proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than Australia, be deemed to include a reference to that which most nearly approximates to the Australian legal term in that jurisdiction;
- (h) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (i) a reference to any document (including this Agreement) is to that document as varied, novated, ratified or replaced from time to time;
- (j) references to "costs" and/or "expenses" incurred by a person shall not include any amount in respect of Indirect Tax comprised in such costs or expenses for which either that person or, if relevant, any other member of any group to which that person belongs for Indirect Tax purposes is entitled to recover (whether by credit, repayment or otherwise);
- (k) the word "includes" in any form is not a word of limitation;
- (l) a reference to "\$" or "dollar" is to Australian currency;
- (m) a reference to immediately available funds is a reference to funds made available in Australian currency by electronic funds transfer or cheque;
- (n) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney, Australia;
- (o) a reference to a liability incurred by any person includes any liability of that person arising from or in connection with any obligation (including indemnities and all other obligations owed as principal or guarantor):
 - (1) whether liquidated or not;
 - (2) except in relation to Loss, whether present, prospective or contingent; and

- (3) whether owed, incurred or imposed by or to or on account of or for the account of that person alone, severally or jointly or jointly and severally with any other person;
- (p) a reference to a party using or an obligation on a party to use its best endeavours or reasonable endeavours does not oblige that party to:
 - (1) pay money:
 - (A) in the form of an inducement or consideration to a third party to procure something (other than the payment of immaterial expenses or costs, including costs of advisers and filing fees, to procure the relevant thing); or
 - (B) in circumstances that are commercially onerous or unreasonable in the context of this Agreement;
 - (2) provide other valuable consideration to or for the benefit of any person; or
 - (3) agree to commercially onerous or unreasonable conditions; and
- (q) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Agreement.

1.3 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.4 Sellers and SKM Party Knowledge

Where an Adjustment Statement states that it is "to the best of the knowledge" of the Sellers or an SKM Party or the SKM Parties (or with a similar qualification as to the knowledge or awareness of the Sellers or the SKM Parties), the Sellers or SKM Party will be deemed to know or be aware of a particular fact, matter or circumstance, if any SKM Specified Person is aware of that fact, matter or circumstance after having made due and careful enquiry in respect of the relevant Adjustment Statement, it being acknowledged by the SKM Parties that such enquiry has been made.

1.5 Contra proferentem excluded

No term or condition of this Agreement will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this Agreement or a provision of it.

1.6 Entry into this document

Each party acknowledges that it has entered into this Agreement for valuable consideration.

2. Sellers' Representatives

2.1 Designation of Sellers' Representatives

- (a) Subject to clause 2.1(c), each of the Sellers irrevocably designates each of the Sellers' Representatives as the Seller's attorney with respect to the taking of all actions required or permitted to be taken by the Sellers' Representatives or any Seller under this Agreement and any of the Transaction Documents, including the binding of the Sellers with respect to their obligations under this Agreement and the receipt of any funds due to any Seller under this Agreement, and entering into any document (including any deed, such as a deed of settlement) on behalf of the Sellers.

- (b) Until the later of (i) the Second Adjustment Date and (ii) the date on which the remaining Escrow Amount is paid to the SKMH Scheme Shareholders or Jacobs as the case may be, there shall be, at all times, a minimum of three Sellers' Representatives.
- (c) If at any time there are fewer than three Sellers' Representatives, the remaining Sellers' Representative(s) shall, by notice in writing to Jacobs, designate a replacement person or persons, whose appointment shall be subject to the approval of Jacobs, not to be unreasonably withheld.
- (d) Unless expressly stated by this Agreement, a decision of the Sellers' Representatives will be made by agreement of a majority of the Sellers' Representatives then appointed.

2.2 Sellers to be bound

- (a) Any act by any of the Sellers' Representatives that is authorised by this Agreement will constitute an act of all Sellers and will be binding upon each Seller.
- (b) Jacobs is entitled to conclusively deal with the Sellers' Representatives (or any one of them), and may rely upon any act of the Sellers' Representatives (or any one of them) that is authorised by this Agreement or any other Transaction Document as being the act of each and every Seller and shall not be required to undertake any enquiries as to whether such Sellers' Representative has been authorised in carrying out such act pursuant to clause 2.3(a).
- (c) Each Seller releases the Jacobs Indemnified Parties from any liability for any acts done by it when acting in accordance with any instruction or act of any Sellers' Representative that is authorised by this Agreement or any other Transaction Document.

2.3 Power with respect to disputes

- (a) Each Sellers' Representative will have authority to act on behalf of any Seller with respect to the handling of any dispute under this Agreement or any other Transaction Document.
- (b) Each Seller will be bound by all actions taken and all documents executed by any Sellers' Representative in connection with any dispute arising under this Agreement or any other Transaction Document.

2.4 Sellers' Representatives costs

- (a) Each Seller agrees that the amount deposited in the Sellers' Representative Costs Account by Jacobs in accordance with the SKMH Scheme and the relevant Deed Poll will be held in the Sellers' Representative Costs Account (and not released except in accordance with clause 2.4(b) or 2.4(d)) and used for the purpose of reimbursing to the Sellers' Representatives, or paying, the reasonable costs and expenses (whether out-of-pocket expenses, accounting fees or legal costs or expenses or otherwise) incurred by the Sellers' Representatives in performing the functions specified in this Agreement, including (in the case of a Sellers' Representative that is not an employee of the Jacobs Group) fees, time- based or otherwise, for performing their role.
- (b) To the extent that the costs and expenses referred to in this clause 2.4 have been incurred by the Sellers' Representatives, the Sellers' Representatives may, after notification to Jacobs, by way of an authorization signed by two Sellers' Representatives, withdraw amounts from the Sellers' Representative Costs Account w

high are sufficient to either reimburse the Sellers' Representatives or pay the costs and expenses. For the avoidance of doubt, the requirement to give notification to Jacobs in this clause 2.4(b) is not a requirement to seek Jacobs' consent.

- (c) Any withdrawal of amounts from the Sellers' Representative Costs Account under this clause 2.4 is in reduction of the Sellers' Representative Costs Amount.
- (d) On the later of the Second Adjustment Date and the date that all Claims notified by Jacobs to the Sellers' Representatives in a Notice of Claim before the Second Adjustment Date have been Finally Determined, the Sellers' Representatives will withdraw (subject to authorization by two Sellers' Representatives) from the Sellers' Representative Costs Account and pay (i) to each SKMH Scheme Shareholder, in immediately available funds, his or her Proportionate Share of 75% of the remaining Sellers' Representative Costs Amount and (ii) to Jacobs, in immediately available funds, 25% of the remaining Sellers' Representative Costs Amount.
- (e) The Sellers agree that any bank charges or taxes (in respect of interest) arising in relation to the Sellers' Representative Costs Account or the Sellers' Representative Costs Amount may be deducted or paid (as appropriate) directly from the Sellers' Representative Costs Amount:
 - (1) in the case of the bank charges, by the bank; and
 - (2) in the case of taxes, by the Sellers' Representatives,if the relevant withdrawal is authorized by two Sellers' Representatives.
- (f) For the avoidance of doubt, nothing in this clause 2.4 is intended to impose any obligations or liabilities, or confer or limit any right, power or discretion, on Jacobs or any member of the Jacobs Group.

2.5 Release of Sellers' Representatives

Each Seller releases the Sellers' Representatives from, and agrees not to make, any claim against a Sellers' Representative arising from, or in respect of, any act or omission by that Sellers' Representative under this Agreement, other than any claim arising as a result of wilful misconduct or fraud on the part of that Sellers' Representative.

2.6 Notices

Notices or communications to or from any Sellers' Representative will constitute notice to or from all Sellers for the purpose of this Agreement and the other Transaction Documents.

2.7 Copy of Disclosure Materials

Jacobs shall permit such law firm as is nominated by the Sellers' Representatives to keep a copy of the Disclosure Materials until all Claims under the Recovery Matters have been Finally Determined, provided that the Disclosure Materials are held in confidence by the law firm nominated by the Sellers' Representatives and that upon the later of:

- (a) the Second Adjustment Date; and
- (b) the date on which any Claims by Jacobs relating to or in respect of the Recovery Matters which were notified to the Sellers' Representatives in a Notice of Claim before the Second Adjustment Date have been Finally Determined,

on the basis that such law firm will undertake to Jacobs to promptly deliver to Jacobs the Disclosure Materials and any copies of the Disclosure Materials following such date or, upon the request of Jacobs, promptly destroy all such documentation, and notify Jacobs of their destruction. For the avoidance of doubt, such law firm may retain any documents which it is required by law to retain and any documents which form part of files that it maintains in the ordinary course of its practice.

3. Adjustments

3.1 Initial payments

The parties acknowledge that Scheme Consideration will be paid to the Sellers (or into the Escrow Account or Sellers' Representative Costs Account, as applicable) in accordance with the Schemes.

3.2 Adjustments

- (a) Subject to clauses 8 and 9, the Additional Scheme Consideration will be adjusted downward one dollar for each dollar:
 - (1) in respect of Leakage in accordance with clauses 4.3 and 6;
 - (2) under the Accounts Receivable Guarantee in accordance with clause 7; and/or
 - (3) in respect of any Recovery Matter in accordance with clause 8.2,(each an **Adjustment**) such that the amount of the Additional Scheme Consideration paid to the SKMH Scheme Shareholders will be reduced by the amount of such Adjustment in the manner set out in clause 4.
- (b) Where a Claim relates to a Title Adjustment Statement of a particular Seller which is untrue, inaccurate or misleading:
 - (1) the maximum aggregate amount that may be released from the Escrow Account to Jacobs in accordance with clause 9 in respect of such a Claim is the Relevant Seller's Proportionate Share of the Escrow Amount; and
 - (2) where the amount of the Claim exceeds the Relevant Seller's Proportionate Share of the Escrow Amount, the Initial Scheme Consideration will be adjusted downward by an amount equal to the Adjustment less the Relevant Seller's Proportionate Share of the Escrow Amount.
- (c) Any adjustment to the Initial Scheme Consideration after the Implementation Date can only be effected by Jacobs making a Claim against the individual Relevant Seller.

4. Payments and Escrow

4.1 Initial payments

In accordance with the Schemes and the Deed Polls, on the Implementation Date, Jacobs will:

- (a) pay, in immediately available funds, the Initial Scheme Consideration (as adjusted under the terms of this Agreement, if applicable) less \$1,500,000 into the bank account nominated by the Sellers' Representatives for that purpose;
- (b) pay in immediately available funds, \$2,000,000 into the Sellers' Representative Costs Account; and
- (c) pay, in immediately available funds, the Additional Scheme Consideration into the Escrow Account.

The Sellers' Representative Costs Account will be administered by the Sellers' Representatives in accordance with the terms of this Agreement. The Escrow Account will be administered by the Escrow Agent in accordance with the terms of the Escrow Deed.

4.2 Release of Escrow Amount for Claims and Costs

- (a) Jacobs and the Sellers' Representatives must procure that following any Joint Direction or Release Notice in accordance with the terms of clause 9, the Escrow Agent withdraws the amount specified in such Release Notice or direction from the Escrow Account and pays that amount to the appropriate party.
- (b) If a member of the Jacobs Group or a member of the SKM Group makes a claim under an Insurance Policy for any Loss suffered by it and such claim is admitted by the relevant insurer, Jacobs must promptly serve a notice on the Escrow Agent and the Sellers' Representatives (**Insurance Deduction Notice**) stipulating the amount of deduction required to be paid in order to seek reimbursement under the relevant Insurance Policy (**Actual Deduction Amount**) together with written evidence from the relevant insurer showing the Actual Deduction Amount. Within five Business Days of receipt of the Insurance Deduction Notice by the Escrow Agent and the Sellers' Representatives, Jacobs and the Sellers' Representatives must deliver a Joint Direction to the Escrow Agent instructing the Escrow Agent to withdraw from the Escrow Account and pay to Jacobs, in immediately available funds, the Actual Deduction Amount.
- (c) For the avoidance of doubt, once any amount is released from the Escrow Amount in accordance with this clause 4 and clause 9, Jacobs shall not be concerned as to how that is distributed by the Escrow Agent amongst the Sellers.

4.3 Pre-Implementation Leakage

Within ten Business Days following Implementation, Jacobs and the Sellers' Representatives shall deliver a Joint Direction to the Escrow Agent instructing the Escrow Agent to withdraw from the Escrow Account and pay to Jacobs, in immediately available funds, an amount equal to the Pre-Implementation Leakage (if any).

4.4 First Adjustment Date

- (a) On the First Adjustment Date, Jacobs and the Sellers' Representatives must, subject to clause 4.4(c) below, deliver a Joint Direction to the Escrow Agent instructing the Escrow Agent to withdraw from the Escrow Account and pay to each SKMH Scheme Shareholder his or her Proportionate Share, in immediately available funds, of an amount equal to the First Adjustment Amount less the sum of:
 - (1) the First Unresolved Claims Quantum;
 - (2) any Adjustments or Actual Deduction Amounts released to Jacobs before the First Adjustment Date; and
 - (3) any Actual Deduction Amounts contained in an Insurance Deduction Notice that is received by the Escrow Agent before the First Adjustment Date.
- (b) Following the First Adjustment Date, Jacobs and the Sellers' Representatives must:

(1) within five Business Days of the final resolution of any Claim included in the First Unresolved Claims Quantum; and

(2) to the extent that such Claim is Finally Determined in the favour of the Sellers,

deliver a Joint Direction to the Escrow Agent instructing the Escrow Agent to withdraw from the Escrow Account and pay each SKMH Scheme Shareholder, in immediately available funds, his or her Proportionate Share of the First Unresolved Claims Quantum associated with such Claim and the balance must be dealt with in accordance with this clause 4.4 and clause 9 (as applicable); provided, however, that with respect to each such Claim, the amount released to the SKMH Scheme Shareholders pursuant to this clause 4.4(b), if any, shall not exceed: (i) the First Adjustment Amount less the sum of the amounts set forth in clauses 4.4(a)(2) and 4.4(a)(3), less (ii) the then remaining balance of the First Unresolved Claims Quantum.

(c) If an Adjustment or a Claim included in the First Unresolved Claims Quantum relates to a Title Adjustment Statement that is untrue, inaccurate or misleading and is Finally Determined in favour of Jacobs, then the Sellers' Representatives shall procure that in releasing any funds payable from the Escrow Amount to the Relevant Seller under this clause 4.4, such amount will be reduced by the lesser of the amount payable to that Relevant Seller and the amount of that Adjustment or Claim, and each other SKMH Scheme Shareholder will receive an amount equal to the amount that they would have received under this clause 4.4 had that Adjustment or Claim not have occurred.

4.5 Second Adjustment Date

(a) On the Second Adjustment Date, Jacobs and the Sellers' Representatives must, deliver a Joint Direction to the Escrow Agent instructing the Escrow Agent to withdraw from the Escrow Account and pay to each SKMH Scheme Shareholder his or her Proportionate Share, in immediately available funds, of an amount equal to the Escrow Amount less the sum of:

(1) the Second Unresolved Claims Quantum;

(2) the quantum (or estimated quantum) of any Claims included in the First Unresolved Claims Quantum which have not been Finally Determined as of the Second Adjustment Date; and

(3) any Actual Deduction Amounts contained in an Insurance Deduction Notice that is received by the Escrow Agent on or after the First Adjustment Date.

(b) Following the Second Adjustment Date, Jacobs and the Sellers' Representatives must:

(1) within five Business Days of the final resolution of any Claim included in the Second Unresolved Claims Quantum or the First Unresolved Claims Quantum; and

(2) to the extent that such Claim is Finally Determined in the favour of the Sellers,

deliver a Joint Direction to the Escrow Agent instructing the Escrow Agent to withdraw from the Escrow Account and pay to each SKMH Scheme Shareholder, in

immediately available funds, his or her Proportionate Share of the Second Unresolved Claims Quantum or First Unresolved Claims Quantum (as the case may be) associated with such Claim, and the balance must be dealt with in accordance with this clause 4.5 and clause 9 (as applicable).

- (c) Following the Second Adjustment Date, if an Adjustment or a Claim included in (i) the Second Unresolved Claims Quantum or (ii) the First Unresolved Claims Quantum but not resolved as of the Second Adjustment Date, relates to a Title Adjustment Statement that is untrue, inaccurate or misleading and is Finally Determined in favour of Jacobs, then the Sellers' Representatives shall procure that in releasing any funds payable from the Escrow Amount to the Relevant Seller under this clause 4.5, such amount will be reduced by the lesser of the amount payable to that Relevant Seller and the amount of that Adjustment or Claim, and each other SKMH Scheme Shareholder will receive an amount equal to the amount that they would have received under clause 4.5(a) had that Adjustment or Claim not have occurred.
- (d) Following the Second Adjustment Date, after all Claims included in (i) the Second Unresolved Claims Quantum or (ii) the First Unresolved Claims Quantum but not resolved as of the Second Adjustment Date, have been Finally Determined, Jacobs and the Sellers' Representatives will deliver a Joint Direction to the Escrow Agent instructing the Escrow Agent to pay to the SKMH Scheme Shareholders, in immediately available funds, their Proportionate Share of the remaining Escrow Amount (if any).

4.6 Payment of interest

If Jacobs and the Sellers' Representatives are required to direct the Escrow Agent to pay any amount from the Escrow Account to the SKMH Scheme Shareholders under clause 4.4 or 4.5 they must, on the date of such payment, also direct the Escrow Agent to pay each SKMH Scheme Shareholder, or procure that each SKMH Scheme Shareholder be paid in immediately available funds, such amount equal to the interest on the SKMH Scheme Shareholder's Proportionate Share of the relevant amount, accruing from and including the Implementation Date and up to but not including the day payment is made under clause 4.4 or 4.5.

4.7 Releases

With effect from the Effective Date, each Seller irrevocably and unconditionally releases each member of the SKM Group from, and agrees not to make, any claim (including, without limitation, but for the avoidance of doubt, any claim relating to Tax and amounts in respect of Tax) against, any member of the SKM Group or any of their respective officers, employees, agents (including the Escrow Agent) or advisers in respect of, arising out of or in connection with:

- (a) the Seller's previous ownership of the Sale Shares; and
- (b) the SKM Group Internal Restructure.

4.8 Chilean Loans, CVR Notes and shareholder current accounts

- (a) SKMH shall procure that any sums due to SKMH under the Chilean Shareholder Loans shall be set-off (on the Implementation Date) against the SKMH Initial Scheme Consideration payable to such Seller in accordance with the terms of the Chilean

Shareholder Loans and each Seller who is a party to the Chilean Shareholder Loans hereby grants their consent to such set-off and deduction.

- (b) SKMH shall procure that all sums due to holders of CVR Notes pursuant to the terms thereof are paid on the Implementation Date.
- (c) SKMH shall procure that balances of all shareholder current accounts are paid to the relevant SKMH Shareholder on or prior to the Implementation Date.

5. Implementation

5.1 Implementation

Implementation must take place at the offices of Jones Day in Sydney on the Implementation Date.

5.2 Delivery of Sellers' documents

The Sellers' Representatives on behalf of the Sellers will procure that the SKM Parties, at Implementation, (a) deliver to Jacobs any forms of proxy required to give effect to clause 10 and (b) deliver and make available to Jacobs (as applicable) the items specified in clause 4.3(a)(xxi) of the Merger Implementation Deed.

5.3 Board meeting

In accordance with the Schemes and the Merger Implementation Deed, each of the Sellers will procure that a meeting of the directors of each of the SKM Parties is convened on or before Implementation as contemplated by clause 4.3(a)(xix) of the Merger Implementation Deed.

6. Leakage

To the extent that any Leakage occurs between the Locked Box Date and the Implementation Date which has not already been subject to an Adjustment in accordance with clause 4.3:

- (a) the Additional Scheme Consideration will be reduced on a dollar-for-dollar basis by the amount of such Leakage; and
- (b) subject to clause 9, Jacobs and the Sellers' Representatives will deliver a Joint Direction to the Escrow Agent instructing the Escrow Agent to withdraw from the Escrow Account and pay to Jacobs, in immediately available funds, the amount of such Leakage.

7. Accounts Receivable Guarantee

7.1 To the extent that any Accounts Receivable have not been collected within one year of the Implementation Date (or, where such Accounts Receivable remain due in accordance with the terms of the relevant contract under which they were created, within 180 days of their respective due dates, but in any event not later than the Second Adjustment Date) (collectively, the **Unpaid Accounts Receivable**), the Additional Scheme Consideration will be reduced by the amount of Unpaid Accounts Receivable and the relevant amounts will be released from the Escrow Account to Jacobs in accordance with clause 9 and the terms of this Agreement generally.

7.2 Jacobs shall use such efforts to collect the Accounts Receivable as it uses in the collection of its own accounts receivable.

8. Recovery Matters

8.1 Recovery Matters

The Recovery Matters are that:

- (a) **Adjustment Statements** : Each of the Adjustment Statements was true, accurate and not misleading as at the Operative Date, the Second Court Date and the Effective Date and is true, accurate and not misleading on the Implementation Date. Each of the Adjustment Statements will remain in full force and effect after the Implementation Date.
- (b) No Jacobs Indemnified Party suffers or incurs any Losses, directly or indirectly, arising out of or in connection with:
 - (1) **work performed** : any act, error or omission in respect of any work performed in connection with a project by any member of the SKM Group in the period prior to the Implementation Date;
 - (2) **anti-corruption laws** : non-compliance with applicable Anti-Corruption Laws arising from acts or omissions by or on behalf of any member of the SKM Group or their current or former directors, officers, employees or agents in the period up to the Implementation Date;
 - (3) **financial statements** : any errors, inaccuracies or misstatements in the financial statements of the SKM Group for fiscal years 2004 through 2013 filed in accordance with the Corporations Act;
 - (4) **shareholding matters** : the SKM Group Internal Restructure, the exercise of the NZ Call Option contemplated by clause 3.1(m) of the Merger Implementation Deed, the redemption of the Dividend Shares contemplated by clause 3.1(o) of the Merger Implementation Deed, the Warehoused Shares, the Third Party Shareholder Arrangements, the Age Based Liability Compromise, the Founder Share Transfer Agreement or any challenge by a Seller in respect of the Implementation of the Schemes;
 - (5) **environmental matters** : breach of applicable Environmental Laws in connection with the operation of the SKM Group and the conduct of its business during the period up to the Implementation Date;
 - (6) **Tax matters** : any liability to Tax of any member of the SKM Group that arises in consequence of:
 - (A) an Event that occurred (or was deemed to occur under a Tax Law or any Transaction Document) on or before the Implementation Date, provided that the provisions of this clause 8.1(b)(6)(A) shall not extend to any Duty arising solely as a consequence of Jacobs failing to comply with its obligations under clause 12.1 (Stamp duty); or
 - (B) any Income, Profits or Gains that were earned, accrued or received (or deemed to be earned, accrued or received under a Tax Law or any Transaction Document) before the Implementation Date;

- (C) any payments to the Sellers under this Agreement or any other Transaction Document and for these purposes shall include payments of the Escrow Amount and any payments in connection with, or in respect of, the redemption of the Dividend Shares contemplated by clause 3.1(o) of the Merger Implementation Deed; or
- (D) to the extent that there has been a set-off by Jacobs in accordance with clause 8.6(c)(1) or 8.6(c)(2), the CVR Tax Deduction referred to in clause 8.6(c) being:
 - (i) denied by a Tax Authority; or
 - (ii) certified by the auditors of Jacobs as not being available for deduction or credit by Jacobs, SKMH or SKM NZ,

in each case, at any time on or prior to the Second Adjustment Date.

- (c) The Sellers acknowledge that, notwithstanding that the SKM Parties have represented and warranted that each of the Adjustment Statements is true, accurate and not misleading as of the Operative Date, Jacobs shall be entitled to recover the full Loss suffered in respect of any Claim (subject to the limitations in clauses 8.3 and 8.4) without any right of contribution from the SKM Parties.

8.2 Claims under the Recovery Matters

To the extent that a Jacobs Indemnified Party suffers or incurs any Loss in respect of a Recovery Matter, including where:

- (a) a Jacobs Indemnified Party suffers or incurs any Loss because an Adjustment Statement was untrue, inaccurate or misleading on the date given (or deemed given); or
- (b) a Jacobs Indemnified Party suffers or incurs any Loss arising out of or in connection with a matter described in clause 8.1(b),

and that Claim succeeds or is admitted by a Sellers' Representative in accordance with clause 9 then, subject to the limitations in clauses 8.3 and 8.4, the Additional Scheme Consideration will be reduced by any Loss suffered or incurred by the Jacobs Indemnified Parties in connection with such Claim and the relevant amounts (**Released Amounts**) will be released from the Escrow Account to Jacobs in accordance with clause 9 and the terms of this Agreement generally. The Released Amounts will be treated as a reduction in the SKMH Scheme Consideration.

8.3 Monetary and time limitations on Claims

Any Claim made by Jacobs under this Agreement is subject to the limitations and qualifications set out in this clause 8.3 and clauses 8.4, 8.5, 8.6 and 9:

- (a) **timing:** Jacobs must give written notice to the Sellers' Representatives of the nature of the Claim in accordance with clause 9.1 on or before the Second Adjustment Date;
- (b) **maximum:** save in respect of Claims related to fraud or wilful misconduct or Title Adjustment Statements that are untrue, inaccurate or misleading, the maximum

aggregate amount which may be released to Jacobs from the Escrow Account under this Agreement in respect of all Claims is the Additional Scheme Consideration;

- (c) **proportionate share** : for the avoidance of doubt, where Jacobs has a Claim for a Title Adjustment Statement that is untrue, inaccurate or misleading, then (without prejudice to any other Claims Jacobs may have against the Relevant Seller under this Agreement) the maximum aggregate amount which may be released from the Escrow Account to Jacobs in respect of such a Claim in accordance with clauses 9 is the Relevant Seller's Proportionate Share of the Additional Scheme Consideration;
- (d) **monetary thresholds** : save in respect of a Claim related to (i) fraud or wilful misconduct, (ii) a Title Adjustment Statement which is untrue, inaccurate or misleading, (iii) Leakage or (iv) clause 8.1(b)(6)(D), Jacobs will not be entitled to recover on a Claim under this Agreement unless:
 - (1) the Loss under such Claim exceeds \$2,000,000, in which case, Jacobs will be entitled to recover the full amount of such Loss, subject to the limitations in clause 8.3(d)(2); and
 - (2) the aggregate Losses under all Claims exceed \$12,000,000, in which case, Jacobs will be entitled to recover the amount of such Losses in excess of \$12,000,000.

For the avoidance of doubt, once the threshold set forth in clause 8.3(d)(2) has been satisfied, such threshold will no longer apply and all Losses in excess of such threshold shall thereafter be recoverable by Jacobs, subject to the limitations set forth in clause 8.3(d)(1). Any and all Claims in respect of the Accounts Receivable Guarantee will be treated as a single Claim for purposes of this clause 8.3(d).

- (e) **calculation of thresholds** : where it is necessary to determine whether a monetary limit or threshold set out in this clause 8.3 has been reached or exceeded and the value of the relevant Claim (or any part of the relevant Claim) is expressed in a currency other than Australian dollars, the value of each such Claim shall be translated into Australian dollars at the mid-market A\$ exchange rate as quoted by Bloomberg on the date of receipt by the Sellers' Representatives of written notification from Jacobs in accordance with clause 9.1 (or, if such day is not a Business Day, the Business Day immediately preceding such day).

8.4 Further limitation

- (a) Subject to clauses 8.4(b), 8.4(c) and 8.4(d), Jacobs shall not be entitled to damages or any other payment in respect of a Claim (including from the Escrow Account) to the extent that it relates to the Recovery Matters if:
 - (1) **Disclosure Letter** : the matters giving rise to the Claim were fairly and accurately disclosed in the Disclosure Letter (and, for the avoidance of doubt, the contents of the Data Site shall not be deemed to be so disclosed save to the extent they are fairly and accurately disclosed in, or incorporated by reference with specificity into, the Disclosure Letter);
 - (2) **change in law** : the Claim is increased as a result of:
 - (A) the enactment or amendment of any Law following the Implementation Date (including legislation which has a

retrospective effect or any increase in the rates of Tax announced after the Implementation Date); or

a change in the judicial interpretation of any Law following the Implementation Date;

- (3) **provision** : the Loss in respect of the Claim has been expressly included as a specifically identifiable (and not general) provision, allowance, reserve or accrual in the Locked Box Date Accounts;
 - (4) **pre-Implementation Date actions** : the Claim arises from an act or omission by or on behalf of a member of the SKM Group before the Implementation Date that was done or made:
 - (A) with the prior written consent of Jacobs; or
 - (B) at the express written direction of Jacobs after the Operative Date;
 - (5) **change in accounting policy** : the Claim would not have arisen but for a change in the accounting policy of any member of the SKM Group after the Implementation Date;
 - (6) **loss recovered from third party** : the Claim has been paid in immediately available funds by a third party, including payment under an Insurance Policy;
 - (7) **insured claim** : where Jacobs is entitled to bring a claim under an Insurance Policy in respect of the underlying facts and circumstances giving rise to the Claim, Jacobs does not use reasonable endeavours to first pursue its right of recovery under such Insurance Policy in accordance with clause 9;
 - (8) **Insurance Policy** : Jacobs or any Representative of Jacobs takes any action (including by way of omission) that renders any Insurance Policy invalid or incapable of responding to the Claim;
 - (9) **mitigation** : Jacobs does not take reasonable steps to satisfy any common law duty to mitigate its Loss;
 - (10) **remedy** : the matter giving rise to the Claim is capable of remedy and within 20 Business Days after receiving the Notice of Claim the Sellers remedy the matter to the satisfaction of Jacobs acting reasonably and without any cost to Jacobs; or
 - (11) **consequential loss** : the Loss in respect of the Claim is special, indirect or consequential Loss arising prior to the Implementation Date.
- (b) The limitations in clause 8.4(a)(1) (Disclosure Letter), 8.4(a)(2) (Change in Law) and 8.4(a)(11) (Consequential Loss) do not apply to the Recovery Matters, except for the Recovery Matter in clause 8.1(a) (Adjustments Statements).
 - (c) The limitation in clause 8.4(a)(4) (Pre-Implementation Date Actions) does not apply to the Recovery Matters in clause 8.1(b)(4) (Shareholding Matters).

- (d) The limitation in clause 8.4(a)(4)(A) (Pre-Implementation Date Actions, clause (A)) does not apply to the Recovery Matters in clause 8.1(b)(6) (Tax Matters).

8.5 Remedies

Save in respect of fraud or wilful misconduct and Claims in respect the Title Adjustment Statements, Jacobs' sole remedy against the Sellers under this Agreement is through an Adjustment in accordance with (and subject to) this Agreement and in no event is Jacobs entitled to rescind this Agreement or seek any other form of recourse against the Sellers or the SKM Parties in relation to the Recovery Matters.

8.6 No double recovery

- (a) **Subsequent recovery from third party** : Subject to clause 8.6(d), if:

- (1) Jacobs makes a Claim under this Agreement that succeeds or is admitted by a Sellers' Representative in accordance with clause 9; and
- (2) Jacobs is compensated for any Loss in connection with such Claim by an amount received from Escrow Account (the **Compensated Amount**) in accordance with clause 9; and
- (3) Jacobs subsequently receives a payment from a third party (including from a Tax Authority or under an Insurance Policy, but excluding any member of the SKM Group or any other member of the Jacobs Group) in recovery or reimbursement of, or compensation for, the Loss in respect of the Claim (the **Recovered Amount**);

Jacobs shall as soon as reasonably practicable pay into the Escrow Account the Recovered Amount, less all reasonable costs of recovery or any Tax payable in respect of the amount received, provided always that the Recovered Amount shall not exceed the Compensated Amount.

- (b) **Repayments of pre-Implementation Date Taxes** : Subject to clause 8.6(d), Jacobs shall as soon as reasonably practicable pay into the Escrow Account an amount equal to any payment received from a Tax Authority in respect of any Tax paid by any SKM Group member before the Implementation Date to such Tax Authority (a **Tax Refund**), provided that such Tax Refund:

- (1) was not treated as an asset in the Locked Box Date Accounts; or
- (2) does not arise from an Event occurring after Completion or as a result of any Tax reliefs or Tax attributes of any member of the Jacobs Group excluding the members of the SKM Group.

- (c) **Tax deductions relating to SKMH's payment of the CVR Notes** : Subject to clause 8.6(d), if SKMH or SKM NZ obtains a Tax deduction or credit arising as a result of the payment by SKMH (whether as principal for itself or as agent for SKM NZ) of sums due to the holders of CVR Notes paid in accordance with clause 4.8(b) (the **CVR Tax Deduction**), then an amount equal to the amount by which a liability to Tax of SKMH or SKM NZ is reduced by the use or set-off of the CVR Tax Deduction shall, following the filing by Jacobs Guarantor with the U.S. Securities and Exchange Commission of its Form 10-K for fiscal year 2014:

- (1) first, be set off against any payment then due from the Sellers under this Agreement; and

- (2) to the extent there is an excess, be carried forward to set off against any future payments that may become due from the Sellers under this Agreement.
- (d) **Dealing with amounts paid into the Escrow Account and Jacobs' obligations** : Notwithstanding any other provision in this Agreement to the contrary, the parties hereby agree that:
 - (1) any amounts which are paid into the Escrow Account in accordance with the provisions of clause 8.6 (a) or 8.6(b) shall be available to be used to satisfy any Claims made by Jacobs in accordance with the terms of this Agreement; and
 - (2) following the Second Adjustment Date, Jacobs shall not be required or under any obligation to take any action under any of clauses 8.6(a), 8.6(b) and 8.6(c).

9. Conduct of Claims

9.1 Notification and pursuit of claims

If any Jacobs Specified Person becomes aware of any circumstances which constitute or are reasonably likely (whether alone or with any other circumstances or with the passage of time) to constitute a Claim by Jacobs for Leakage, under the Accounts Receivable Guarantee or for the Recovery Matters, Jacobs must (and, where applicable, must cause each member of the Jacobs Group to):

- (a) **notice:** no later than 60 Business Days after becoming aware of such circumstances, give the Sellers' Representatives notice of the Claim, setting out in a reasonable level of detail the circumstances as then known to the Jacobs Group (including the quantum, or estimated quantum (being an amount estimated by Jacobs reasonably and in good faith), of any alleged Claim) and whether it is in respect (i) Leakage, (ii) the Accounts Receivable Guarantee, (iii) a specific Adjustment Statement or (iv) a specific Recovery Matter (**Notice of Claim**) and if on account of (ii), (iii) or (iv) above, provide details of such specific Account Receivable, Adjustment Statement or Recovery Matter, as the case may be. The Notice of Claim must specify whether or not Jacobs believes that the Loss in respect of the Claim is capable of being recovered under an Insurance Policy and the reasons for such belief. The Notice of Claim must be given irrespective of whether or not Jacobs forms the view that the Loss in respect of a Claim is capable of being recovered under an Insurance Policy. Jacobs must also, on an on-going basis, keep the Sellers' Representatives reasonably informed of all material developments in relation to the matter. If a Notice of Claim is not given by Jacobs within the 60 Business Day period referred to in this clause 9.1(a), Jacobs shall not be prevented from bringing such a Claim, nor shall it extinguish the liability of the Sellers in respect of such a Claim but rather it shall be taken into account in calculating the liability of the Sellers in respect of the matter in question in that to the extent that such liability was increased as a result of the failure to give notice in accordance with this clause 9.1(a) that increase in liability is to be disregarded;
- (b) **access:** without prejudice to the validity of any Claim, give the Sellers' Representatives and their advisers reasonable access to:
 - (1) the employees of the SKM Group; and

(2) the documents, records and accounts of the SKM Group,

during normal business hours (and permit the Sellers' Representatives and their advisers to take copies of any documents, records or accounts) to enable the Sellers' Representatives and their advisers to obtain information relating to the Claim or potential Claim;

- (c) **notification of insurers** : where Jacobs believes that the relevant insured party may be entitled to recover for such Claim under an Insurance Policy, promptly notify the relevant insurer of the Claim and the matters giving rise to the Claim, in accordance with the terms of the relevant Insurance Policy;
- (d) **information sharing** : where Jacobs or the relevant insured party may be entitled to recover for such Claim under an Insurance Policy, promptly provide the Sellers' Representatives with all correspondence which it has with any insurer in respect of any Insurance Policy and keep the Sellers' Representatives apprised of any material discussions it has with any relevant insurer in respect of such Claim. The Sellers' Representatives and their advisers will be entitled to attend and participate in any such discussions;
- (e) **reasonable endeavours** : where Jacobs or the relevant insured party may be entitled to recover for such Claim under an Insurance Policy, use all reasonable endeavours to recover to the fullest extent possible under that Insurance Policy;
- (f) **legal opinion** : where Jacobs or the relevant insured party may be entitled to recover for such Claim under an Insurance Policy, if the relevant insurer gives Jacobs notice that the applicable Insurance Policy will not respond to the relevant matter or Claim, then Jacobs and the Sellers' Representatives will jointly select and brief appropriately experienced senior counsel (the identity of whom must be jointly agreed by Jacobs and the Sellers' Representatives) to provide a written opinion about whether there are any reasonable grounds on which the insurer's position in respect of denying cover may be challenged and if so, recommendations about the steps that should be taken in pursuing that claim (**Legal Opinion**). The cost of obtaining that advice will be borne equally by Jacobs and the Sellers' Representatives;
- (g) **pursuit of Claim under Insurance Policy** : if the Legal Opinion concludes that it is more likely than not that the insurer's position in denying cover could successfully be challenged, Jacobs must continue to use reasonable endeavours to ensure the relevant Insurance Policy responds to the claim and implement the steps recommended by senior counsel that provided the Legal Opinion (including commencing litigation against the relevant insurer if, in the opinion of the senior counsel, it is more likely than not that Jacobs would be successful in such litigation) provided that if the claim under the Insurance Policy remains unresolved by the First Adjustment Date or the Second Adjustment Date (as the case may be), then the quantum (or estimated quantum) of any Claims under the Notice of Claim shall be included in the First Unresolved Claims Quantum or Second Unresolved Claims Quantum (as the case may be). The Sellers' Representatives must also implement the steps recommended by the senior counsel that provided the Legal Opinion, if required to do so;

- (h) **pursuit of Claim under Additional Scheme Consideration** : if the Legal Opinion concludes that it is more likely than not that the insurer's position in denying cover could not successfully be challenged, then Jacobs must serve a Notice of Claim on the Sellers' Representatives in respect of such Claim specifying that the Claim is not capable of being recovered by an Insurance Policy and the provisions of this clause 9 shall apply except for the provisions of clauses 9.1(c) through 9.1(g). If the Notice of Claim served by Jacobs under this clause 9.1(h) is given before the First Adjustment Date or before the Second Adjustment Date (as the case may be) and the Claim remains unresolved by either of those dates, then the quantum (or estimated quantum) of any Claims under the Notice of Claim shall be included in the First Unresolved Claims Quantum or Second Unresolved Claims Quantum (as the case may be); and
- (i) **Government Agency** : where the Loss in respect of the Notice of Claim arises from a fine, criminal sanction or penalty (whether actual or prospective) imposed by a Government Agency, to the extent permitted by applicable Law, promptly provide the Sellers' Representatives with copies of all correspondence which it has with such Government Agency and keep the Sellers' Representatives apprised of any material discussions it has with such Government Agency in respect of such Claim. Subject to privilege, confidentiality and approval of the Government Agency, the Sellers' Representatives and the Sellers' Representatives' advisers will be entitled to attend and participate in any such discussions.

For the avoidance of doubt, the provisions of clauses 9.1(c) through 9.1(i) shall not apply to Claims for Leakage or under the Accounts Receivable Guarantee.

9.2 Notice of dispute

- (a) If the Sellers' Representatives dispute a Notice of Claim, they may issue a notice (**Notice of Dispute**) to Jacobs and the Escrow Agent specifying full details of why they dispute the Notice of Claim and the monetary amount (if any) admitted by the Sellers' Representatives as being owing to Jacobs. For the avoidance of doubt, the Sellers' Representatives will not be required to, and will not, issue a Notice of Dispute where the Loss in respect of a Claim is capable of recovery under an Insurance Policy and the Claim has been admitted by the relevant insurer in respect of such Loss or where a Claim has been Finally Determined.
- (b) If no Notice of Dispute is received by Jacobs and the Escrow Agent within 60 Business Days of receipt by the Sellers' Representatives of the relevant Notice of Claim (or where the Notice of Claim indicates that Jacobs believes that the Claim is capable of being recovered under an Insurance Policy, within 60 Business Days after Jacobs issues a Notice of Claim under clause 9.1(h)) the Sellers' Representatives are to be taken to have agreed with the Claim by Jacobs set out in the Notice of Claim and clause 9.3 applies.
- (c) If a Notice of Dispute is received by Jacobs and the Escrow Agent within 60 Business Days of receipt by the Sellers' Representatives of the relevant Notice of Claim (or where the Notice of Claim indicates that Jacobs believes that the Claim is capable of being recovered under an Insurance Policy), within 60 Business Days after Jacobs issues a Notice of Claim under clause 9.1(h):
 - (1) which admits a lesser amount than was claimed by Jacobs in the Notice of Claim, clause 9.4 applies; or

- (2) which disputes the whole of the amount claimed by Jacobs in the Notice of Claim, clause 9.5 applies, then the Sellers' Representatives or Jacobs may initiate proceedings pursuant to clause 13 to resolve the extent to which Jacobs is entitled to have amounts released to it from the Additional Scheme Consideration in respect of such Claims.

9.3 Release

(a) After 30 Business Days have elapsed from Jacobs issuing a Notice of Claim under clause 9.1(a) (or where the Notice of Claim indicates that Jacobs believes it is entitled to recover such Claim under an Insurance Policy, after 30 Business Days have elapsed from Jacobs issuing a Notice of Claim under clause 9.1(h)) Jacobs may issue, in accordance with clause 9.6, a notice (**Release Notice**) to the Escrow Agent and the Sellers' Representatives requesting the release of the Additional Scheme Consideration to no greater extent than the quantum (or estimated quantum) of the Claim or Claims referred to in that Notice of Claim. For the avoidance of doubt, Jacobs cannot issue a Release Notice where Jacobs is entitled to recover the Loss in respect of a Claim under an Insurance Policy and such Claim is admitted by the relevant insurer in respect of such Loss unless the amount of the Claim that has been admitted by the relevant insurer is less than the full amount of the Loss.

(b) If:

- (1) the Escrow Agent and the Sellers' Representatives receive Release Notice; and
- (2) the Escrow Agent and Jacobs have not received a Notice of Dispute within 60 Business Days of receipt by the Sellers' Representatives of the relevant Notice of Claim (or where the Notice of Claim indicates that Jacobs believes that the Claim is capable of being recovered under an Insurance Policy), within 60 Business Days after Jacobs issues a Notice of Claim under clause 9.1(h),

Jacobs and the Sellers' Representatives must deliver a Joint Direction to the Escrow Agent instructing the agent to withdraw the amount specified in the Release Notice from the Escrow Account and pay that amount to Jacobs in immediately available funds.

9.4 Lesser Amount Disputed

If:

- (a) the Escrow Agent and the Sellers' Representatives receive a Release Notice in accordance with clause 9.3; and
- (b) the Escrow Agent and Jacobs receive a Notice of Dispute in accordance with clause 9.2(c)(1), then the Sellers' Representatives and Jacobs must:
 - (1) deliver a Joint Direction to the Escrow Agent instructing the agent to withdraw the amount specified in the Notice of Dispute as owing to Jacobs from the Escrow Account and pay that amount to Jacobs in immediately available funds; and
 - (2) ensure that the Escrow Agent deals with the amount equal to the difference between the amount specified in the Release Notice and the

amount specified in the Notice of Dispute once the portion of the Claim subject to the Notice of Dispute has been Finally Determined.

9.5 Disputed claim

If:

- (a) the Escrow Agent and the Sellers' Representatives receive a Release Notice in accordance with clause 9.3; and
- (b) the Escrow Agent and Jacobs receive a Notice of Dispute in accordance with clause 9.2(c)(2),

the Sellers' Representatives and Jacobs must ensure that the Escrow Agent deals with the amount specified in the Release Notice in accordance with the Finally Determined Claim.

9.6 Delivery of Release Notice

Any Release Notice must be delivered to both the Sellers' Representatives and the Escrow Agent.

9.7 Conduct of Third Party Claims

- (a) Following receipt of a Notice of Claim which involves a Third Party Claim, Jacobs shall:
 - (1) as soon as practicable notify the Sellers' Representatives in writing;
 - (2) promptly give such information and access to personnel, premises, chattels, documents and records as the Sellers' Representatives may reasonably request;
 - (3) subject to clause 9.7(a)(4) below, be entitled, in its absolute discretion, to take such action as it shall deem necessary to avoid, dispute, deny, defend, resist, appeal, compromise or contest such Third Party Claims or liability (including, without limitation, making counterclaims or other claims against third parties);
 - (4) 10 Business Days before making any settlement or compromise of a Third Party Claim which has been notified to the Sellers' Representatives which is in respect of an amount in excess of \$2,000,000, seek the prior written consent of the Sellers' Representatives (such consent not to be unreasonably withheld or delayed) in respect of such settlement or compromise.
 - (5) For the purposes of clause 9.7(a)(4), where the Third Party Claim relates to a Tax Assessment and the Sellers' Representatives have withheld or delayed giving consent, consent shall be deemed to have been unreasonably withheld or delayed in (but not limited to) the following circumstances:
 - (A) where such Third Party Claim is likely to affect materially adversely either the future liability of the member of SKM Group concerned, or any other member of the Jacobs Group, to Tax and/or the reputation or the business or financial interests of any of them or of any person connected with any of them (and for the purposes

of this clause (A) only, a future liability to Tax is material if it is an amount exceeding \$500,000); or

(B) if Jacobs has obtained advice from an appropriate tax adviser of international standing that any appeal against, or challenge to, such Third Party Claim is more likely than not to fail.

(b) Any failure by Jacobs and/or the Jacobs Group to comply with the provisions of this clause 9.7 shall not prevent any claim by Jacobs or extinguish any liability of the Sellers under the Recovery Matters but shall be taken into account in calculating any such liability of the Sellers in that to the extent that such liability was increased by such failure that increase in liability is to be disregarded.

9.8 Escrow Agent's fees

Jacobs must pay all fees of the Escrow Agent and in respect of establishing the Escrow Account in accordance with the Escrow Deed and must continue to pay such fees until all amounts held in the Escrow Account have been released by the Escrow Agent in accordance with this Agreement and the Escrow Deed.

9.9 Pre-Implementation Tax Returns and Historic Tax Returns

(a) During the period prior to the First Adjustment Date:

(1) Jacobs must ensure that every material pre-Implementation Tax Return relating to a member of the SKM Group that is lodged after the Implementation Date:

(A) is delivered to the Sellers' Representatives in final draft form at least one month before the relevant member of the SKM Group lodges that return; and

(B) incorporates any amendments that Jacobs determines in its sole discretion are reasonably requested (within 14 days of delivery in final draft form to the Sellers' Representatives in accordance with clause 9.9(a)(1)(A)) by the Sellers' Representatives in respect of the treatment of transactions or events that occurred prior to the Implementation Date and Jacobs is obliged to give the Sellers' Representatives and their advisers access that Jacobs determines in its sole discretion is reasonable to the employees and records of SKM Group that pertain to the period prior to the Implementation Date for the purposes of reviewing any pre- Implementation Tax Return; and

(2) Jacobs must not make any amendment to any pre-Implementation Tax Returns or Historic Tax Returns unless such amendment (determined in Jacobs' sole discretion): (i) is required by applicable Tax Law; (ii) is required by a Tax Authority; (iii) arises out of a revised Tax Assessment issued by the relevant Tax Authority; (iv) arises as a result of an audit; (v) is required to correct a position taken in respect of the SKM Group Internal Restructure; or (vi) is otherwise agreed between Jacobs and the Sellers' Representative. If any such amendments are made, Jacobs will inform the Sellers' Representatives of any amendment of, or objection or appeal in relation to, any pre-Implementation Tax Return or Historic Tax Returns within 30 Business Days of such amendment, objection or appeal.

- (b) The Sellers' liability in respect of the failure of any Adjustment Statement relating to Tax to be true, accurate and not misleading is reduced to the extent that such failure has arisen solely from a failure by Jacobs to comply with clause 9.9(a).

9.10 No Withholding

Jacobs shall not withhold or deduct for or on account of Tax from any payments made by it under clause 4.1.

9.11 Quarterly Meetings

- (a) Jacobs agrees that it will procure that a Jacobs Specified Person or his or her designee meet with the Sellers' Representatives at least once every three months until the Second Adjustment Date to discuss any Claims already notified to the Sellers' Representatives pursuant to this Agreement and identify any potential or likely Claims of which any Jacobs Specified Person is aware.
- (b) Jacobs agrees that it will use reasonable endeavours prior to each such meeting to identify any potential or likely Claims it may have under this Agreement.

10. Terms of Acceptance

Each Seller:

- (a) is bound to transfer its Sale Shares to Jacobs in accordance with the terms set out in the applicable Scheme and in this Agreement;
- (b) with effect from the date of this Agreement, irrevocably appoints Jacobs (or any nominee or nominees of Jacobs) severally as their exclusive attorney, with power to do all things which they could lawfully do in relation to the Sale Shares or in exercise of any right derived from the holding of the Sale Shares, including:
- (1) attending and voting (in person or by proxy) at any meeting of the SKMM or SKMH shareholders or signing any resolution of SKMM or SKMH shareholders;
 - (2) demanding a poll for any vote taken at any meeting of SKMM or SKMH shareholders;
 - (3) proposing or seconding any resolution to be considered at any meeting of SKMM or SKMH shareholders;
 - (4) requisitioning the convening of any meeting of SKMM's or SKMH's shareholders and convening a meeting pursuant to any such requisition;
 - (5) notifying the SKM Parties that its address in the records of SKMM and SKMH for all purposes, including the dispatch of notices of meeting, annual reports and distributions, should be altered to an address nominated by Jacobs; or
 - (6) doing all things incidental and ancillary to any of the foregoing;

and agrees that in exercising the powers conferred by that power of attorney, the attorney may act in the interests of Jacobs (or its nominee or nominees); and

- (c) irrevocably authorises and directs the SKM Group to pay Jacobs or to account to Jacobs for all Rights in respect of that Seller's Sale Shares.

11. GST

- 11.1** Any consideration or amount payable under this Agreement, including any non-monetary consideration (as reduced in accordance with clause 11.5 if required) (**Consideration**) is exclusive of GST.
- 11.2** If GST is or becomes payable on a Supply made under or in connection with this Agreement, an additional amount (**Additional Amount**) is payable by the party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (**Supplier**) in accordance with the GST Law.
- 11.3** The Additional Amount payable under clause 11.2 is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice. However, the Additional Amount is only payable on receipt of a valid Tax Invoice.
- 11.4** If an Adjustment Event varies the amount of GST payable by the Supplier in respect of a Supply under or in connection with this Agreement, the Supplier will adjust the amount payable by the Recipient to take account of the Adjustment Event. The Supplier will issue an Adjustment Note to the Recipient within 14 days after becoming aware of the Adjustment Event. Any payment will be made by the Recipient to the Supplier or by the Supplier to the Recipient within seven days of the Supplier issuing an Adjustment Note to the Recipient. Any payment under this clause 11.4 is deemed to be an increase or decrease (as appropriate) of the additional amount payable under clause 11.2.
- 11.5** Despite any other provision in this Agreement:
- (a) if an amount payable under or in connection with this Agreement (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred; and
 - (b) no Additional Amount is payable under clause 11.2 in respect of a Supply to which section 84-5 of the GST Law applies.
- 11.6** Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of a GST Group of which the party is a member is entitled.
- 11.7** Any term in this clause 11 or paragraph 23 of Schedule 2 starting with a capital letter that is not defined herein or therein has the same meaning as the term has in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).

12. General

12.1 Stamp duty

- (a) Jacobs will be liable for and duly pay all Duty (including any fine or penalty and excluding any financial institutions' duty) on or relating to the Transaction Documents (

but not, for the avoidance of doubt, any Duty (including fine or penalty) arising in consequence of the SKM Group Internal Restructure).

- (b) If a party other than Jacobs pays any Duty (including any fine or penalty and excluding any financial institutions' duty) on or relating to the Transaction Documents (but not, for the avoidance of doubt, any Duty (including fine or

penalty) arising in consequence of the SKM Group Internal Restructure) Jacobs must pay that amount to that party upon demand.

12.2 Legal costs

Subject to any express provision in the Transaction Documents to the contrary, each party will bear its own legal and other costs and expenses relating directly or indirectly to the preparation of, and performance of its obligations under, this Agreement.

12.3 Amendment

This Agreement may only be varied or replaced by a document in writing duly executed by Jacobs, the SKM Parties and the Sellers' Representatives.

12.4 Rights cumulative

Subject to any express provision in this Agreement to the contrary, the rights of a party under this Agreement are cumulative and are in addition to any other rights of that party.

12.5 Approvals and consent

Subject to any express provision in this Agreement to the contrary, a party may conditionally or unconditionally give or withhold any consent to be given under this Agreement and is not obliged to give its reasons for doing so.

12.6 No Merger

The rights and obligations of the parties will not merge on the completion of any transaction contemplated by this Agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing a transaction.

12.7 Further assurance

Each party will promptly execute all documents and do all things that any other party from time to time reasonably requires of it to effect, perfect or complete the provisions of this Agreement and any transaction contemplated by it.

12.8 Governing law

This Agreement is governed by and is to be construed in accordance with the laws applicable in New South Wales.

12.9 Jurisdiction

Except as provided in clause 13, each party:

- (a) irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of New South Wales and any courts which have jurisdiction to hear appeals from any of those courts; and
- (b) waives any right to object to any proceedings being brought in those courts for any reason.

12.10 Assignment

- (a) Subject to clause 12.10(b), no party may assign any right under this Agreement without the prior written consent of, in the case of the Sellers or the Sellers' Representatives, Jacobs and, in the case of Jacobs or the SKM Parties, the Sellers' Representative. A party may withhold consent in its absolute discretion.
- (b) Each of Jacobs or the SKM Parties may, after providing reasonable notice to the Sellers' Representatives, assign any right under this Agreement to a member of the Jacobs Group provided that such member of the Jacobs Group enters into a deed poll containing a guarantee of the assignee's rights and obligations in a form reasonably required by the Sellers' Representatives.

12.11 Service of process

Without preventing any other mode of service, any document in an action (including any writ of summons or other originating process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of notices under clause 13.

12.12 Waivers and variation

- (a) A provision of, or a right, discretion or authority created under, this Agreement may not be:
 - (1) waived except in writing signed by the party granting the waiver; and
 - (2) varied except in writing signed by the parties.
- (b) A failure or delay in exercise, or partial exercise, of a power, right, authority, discretion or remedy arising from a breach of, or default under, this Agreement does not result in a waiver of that right, power, authority, discretion or remedy.
- (c) A single or partial waiver of a right relating to this Agreement does not prevent any other exercise of that right or the exercise of any other right.
- (d) A party is not liable for any loss, cost or expense of any other party caused or contributed to by the waiver, exercise, attempted exercise, failure to exercise or delay in the exercise of a right.

12.13 Entire agreement

- (a) This Agreement, the other Transaction Documents and the Confidentiality Deed embody the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede any prior negotiation, arrangement, understanding or agreement with respect to the subject matter hereof and thereof including the Memorandum of Understanding dated 15 March 2013 (among Jacobs Guarantor a

nd the SKM Parties) and all subsequent amendments thereto with respect to the subject matter or any term of those documents.

- (b) Each party acknowledges it has not entered into any Transaction Document in reliance on any representation other than one expressly set out or incorporated by reference in a Transaction Document.

12.14 Counterparts

This Agreement may consist of a number of counterparts and if so the counterparts taken together constitute one and the same instrument.

12.15 Joint and several liability

Unless the context requires otherwise, an obligation of two or more persons in this Agreement binds them severally but not jointly.

12.16 Severability

Any provision in this Agreement that is invalid or unenforceable in any jurisdiction is to be read down for the purpose of that jurisdiction, if possible, so as to be valid and enforceable, and otherwise shall be severed to the extent of the invalidity or unenforceability, without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of that provision in any other jurisdiction.

13. Dispute Resolution by International Arbitration

13.1 Arbitration

- (a) Any dispute, controversy or claim arising out of, relating to or in connection with this Agreement, including any Claim, shall be submitted to the International Chamber of Commerce (the **ICC**) for final resolution by arbitration under the ICC Rules of Arbitration for the time being in force, which Rules are deemed to be incorporated by reference into this clause.
- (b) The place of the arbitration will be Sydney, New South Wales, Australia.

13.2 Appointment of Arbitral Tribunal

- (a) An Arbitral Tribunal will be appointed, comprising three arbitrators (**Arbitral Tribunal**).
- (b) Each of Jacobs and the Sellers' Representatives will nominate one arbitrator. The two arbitrators so appointed will appoint the presiding arbitrator. If either party fails to nominate an arbitrator within 30 days of receiving written notice of the nomination of an arbitrator by the other party, such arbitrator will be appointed by the President of the International Court of Arbitration of the ICC. If the arbitrators appointed by the parties fail to agree upon the presiding arbitrator within 30 days of the appointment of the second arbitrator, the presiding arbitrator will be appointed by the President of the International Court of Arbitration of the ICC.
- (c) In the case of the Jacobs and Sellers' Representatives nominated arbitrators, neither arbitrator will be of United States or Australian nationality respectively (whether or

not the party appointment is made by the party or pursuant to a default process) and the presiding arbitrator must not be of either United States or Australian nationality.

13.3 Conduct of Hearing

The Arbitral Tribunal may, for the purposes of hearing witnesses or the parties, consultation among its members or for inspection of documents, goods or other property, conduct hearings and convene meetings at any place it considers appropriate.

13.4 Language

The language to be used in the arbitral proceedings will be English.

13.5 Governing Law

The law governing:

- (a) the arbitration agreement constituted by this clause; and
- (b) the arbitral proceedings conducted hereunder, will be the law of New South Wales.

13.6 Confidential information and consolidation of arbitral proceedings

The parties agree that sections 23C to 23G inclusive (confidential information) and section 24 (consolidation of arbitral proceedings) of the *International Arbitration Act 1974* (Cth) will apply to arbitrations under this Agreement.

13.7 Costs

All costs and expenses attributable to the Arbitrator shall be allocated among the parties to the arbitration in such manner as the Arbitrator shall determine to be appropriate under the circumstances.

14. Notices

Any notice or other communication under or in connection with this Agreement

- (a) must be in legible writing;
- (b) must be addressed as shown below:

Party	Address	Addressee	Fax
Sellers' Representatives or the Sellers	c/o Sinclair Knight Merz Management Pty Limited 100 Christie Street St Leonards, NSW 2065 Australia	Gunninder Singh Katari	+ 612 9032 1267
Jacobs	c/o Jacobs Engineering Group Inc. 155 North Lake Avenue, Pasadena, CA 91101 USA With a copy to:	Michael S. Udovic	+ 1 626 578 3511
	Paul Hastings LLP 515 South Flower Street 25th Floor Los Angeles, CA 90071 USA	Robert A. Miller	+1 213 627 0705
SKMM	Sinclair Knight Merz Management Pty Limited 100 Christie Street St Leonards, NSW 2065 Australia	Paul Casamento	+ 612 9032 1267
SKMH	Sinclair Knight Merz Holdings Limited 100 Christie Street St Leonards, NSW 2065 Australia	Paul Casamento	+ 612 9032 1267

(or as otherwise notified by that party to the other party from time to time);

- (c) must be signed by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the fax number, of the addressee, in accordance with clause (b); and
- (e) is regarded as received by the addressee:
 - (1) if sent by prepaid post, on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (2) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety (provided that the fax is legible on its face), unless that local time is not a Business Day, or is after 5.00pm on a Business Day in the place of receipt, when that communication will be regarded as received at 9.00am on the next Business Day; and
 - (3) if delivered by hand, on delivery at the address of the addressee as provided in clause 13, unless delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00 am on the next Business Day.
- (f) A party may from time to time change its address or numbers for service by notice to the other party.

Schedules

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Schedule 1

Sellers' Representatives

Gunninder Singh Katari

Geoff Rees

John Curran

Schedule 2

Adjustment Statements

1. Accuracy of Information .

- 1.1 No information (other than Jacobs Information as to which no representation is made) contained in the Scheme Booklet, as at the date the Scheme Booklet is dispatched to SKMH and SKMM Shareholders, will contain any statement which is materially misleading or deceptive, whether by virtue of the inclusion of misleading information or the omission of material information or both.
- 1.2 The information provided in the Disclosure Materials and by the SKM Parties through the Due Diligence process has been collated and provided in good faith and the Disclosure Materials disclose all information which a reasonable person would expect to have a material effect on the price or value of the SKMH Shares and SKMM Shares as at the Operative Date.

2. Corporate Matters.

Each member of the SKM Group is a corporation or limited liability company, as applicable, duly organised, validly existing and registered under the Laws of the jurisdiction of its incorporation or formation. Each member of the SKM Group has the legal power, capacity and authority to own or lease its properties and assets as and where currently owned or leased and to carry on all business activities as such business is conducted on the date of this Agreement. The Disclosure Materials contain accurate and complete copies of the constitutional documents (or other charter documents, as applicable) of each member of the SKM Group, each as in full force and effect on the date hereof, and the affairs of each member of the SKM Group have been conducted in accordance with such documents. Each member of the SKM Group is duly qualified to do business in each jurisdiction in which the nature of its business or the ownership of its assets makes such qualification necessary. Section 2 of the Disclosure Letter lists each of the jurisdictions in which SKMM, SKMH and each other operating member of the SKM Group is qualified or licensed to do business.

3. Insolvency.

- 3.1 No member of the SKM Group is insolvent and no receiver has been appointed over any part of their assets and no such appointment has been threatened.
- 3.2 No member of the SKM Group is in liquidation and no proceedings have been brought or threatened for the purpose of winding up any of them.
- 3.3 To the best of the knowledge of the SKM Parties, there are no facts, matters or circumstances which give any person the right to apply to liquidate or wind up any member of the SKM Group.
- 3.4 No administrator has been appointed to any member of the SKM Group nor has any deed of company arrangement been executed or proposed in respect of any member of the SKM Group.
- 3.5 No member of the SKM Group has entered into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them.
- 3.6 No member of the SKM Group is (or is taken to be under applicable legislation) unable to pay its debts, other than a debt or claim the subject of a good faith dispute, and has not stopped or suspended, or threatened to stop or suspend, the payment of all or a class of its debts.
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4. Documentation.

Accurate and complete copies of the register of shareholders of SKMM, SKMH and SKM NZ are attached as Appendix 2 to the Disclosure Letter. SKMH has made available to Jacobs in the Disclosure Materials a true, correct and complete copy of the board minutes of the SKM Parties since 1 January 2009. Each member of the SKM Group has maintained its books, records and accounts in accordance with all material Laws of the relevant corporate legislation applicable in the jurisdictions in which they operate.

5. Capitalisation.

The issued share capital of each member of the SKM Group and the issued and outstanding amounts and record holders thereof are set forth in Section 5 of the Disclosure Letter. No member of the SKM Group has agreed to issue any other share capital other than to employees of the SKM Group pursuant to the SKM Group Shareholding Plan. All outstanding share capital of each member of the SKM Group has been duly authorised and validly issued and is fully paid. No such outstanding share capital was issued in violation of the constitutional or charter documents of the issuing entity, any legal requirement, any order or any contract or in violation of the pre-emptive rights of any person. There are no outstanding or authorised, and no member of the SKM Group has agreed to issue any, warrants, options, subscriptions, puts, calls, rights, convertible, exercisable or exchangeable securities, or other commitments, transactions, arrangements, understandings or agreements of any character relating to the issued or unissued share capital of any member of the SKM Group or pursuant to which any member of the SKM Group is or may become obligated to issue or sell any of its share capital other than to employees of the SKM Group pursuant to the SKM Group Shareholding Plan. There are no outstanding or authorised, and no member of the SKM Group has agreed to issue any, stock appreciation, phantom stock, interest in the ownership or earnings of any member of the SKM Group or similar rights. There are no accrued but unpaid dividends on any outstanding share capital of any member of the SKM Group.

6. Organisation; Group Structure and SKM Group Internal Restructure.

- 6.1** All steps under the SKM Group Internal Restructure have been completed in accordance with applicable Law and the relevant constitutions of the companies involved, and no notice has been received from any third party to terminate any Material Contract with any member of the SKM Group on a change of control as a result of the implementation of such steps.
- 6.2** O.D.S. Investments Pty Ltd is the sole legal owner of the founder share in SKMM, which was duly transferred from BG Nominees Pty Ltd to O.D.S. Investments Pty Ltd for valuable consideration, and any and all Tax liabilities incurred by the SKM Group in connection with that transfer have been duly paid and discharged.
- 6.3** SKMM has no subsidiaries other than SKMH and the other members of the SKM Group.
Other than the members of the SKM Group, neither SKMM, SKMH nor any member of the SKM Group:
- (a) owns (legally or beneficially) any share capital, or any interest convertible into, exercisable for the purchase of or exchangeable for any share capital in any other person;
 - (b) is obligated to form or participate in, provide funds to, or make any loan, capital contribution or other investment in, or assume any liability of any person; or
 - (c) is a member of any partnership or other unincorporated association (other than a recognised trade association) or is the responsible entity, manager, trustee, representative or custodian of any trustee or managed investment scheme (within the meaning of the Corporations Act).
- 6.4** Save as set out in Section 6.4 of the Disclosure Letter, there were no third party equity or shareholding interests in the SKM Group (being shareholdings held other than through

the SKM Group Shareholding Plan) within the twelve months prior to the entry into of the Merger Implementation Deed. True, correct and complete copies of all Third Party Shareholder Arrangements that were in force or effect in the twelve months prior to the entry into of the Merger Implementation Deed have been provided in the Disclosure Materials.

- 6.5** True, correct and complete copies of all acquisitions of, or mergers with, any material business, asset, entity or undertaking by the SKM Group since 1 January 2003 have been provided in the Disclosure Materials. Since 1 January 2003, the SKM Group has not entered into any disposals of any material business, asset, entity or undertaking. There are no transitional services under which the SKM Group receives services and there are no purchase price amounts due, payable or outstanding to any of the relevant sellers thereunder (whether payable in cash or scrip consideration) by the SKM Group.

7. Restrictions on Transfer.

- 7.1** There are no voting trust agreements, powers of attorney, shareholder agreements, proxies or any other contracts to which any Seller is a party or by which any of them are bound relating to the sale, transfer, voting, registration, acquisition, distribution rights or disposition of any of the SKMM Scheme Shares or the SKMH Scheme Shares or otherwise granting any person any right in respect of the SKMM Scheme Shares or the SKMH Scheme Shares, and (except for the requirement to present the relevant share certificates and for the consent of the directors of the relevant company and the requirement to pay any applicable stamp duty or duty on the transfer before registering such transfer) there are no existing restrictions on the transfer of the SKMM Scheme Shares or the SKMH Scheme Shares.

- 7.2** There are no voting trust agreements, powers of attorney, shareholder agreements, proxies or any other contracts to which any member of the SKM Group is a party or by which any of them are bound relating to the sale, transfer, voting, registration, acquisition, distribution rights or disposition of any of the share capital of any member of the SKM Group or otherwise granting any person any right in respect of the share capital of any member of the SKM Group, and (except for the requirement to present the relevant share certificates and for the consent of the directors of the relevant company and the requirement to pay any applicable stamp duty or duty on the transfer before registering such transfer) there are no existing restrictions on the transfer of the share capital of any member of the SKM Group.

8. Title to Shares.

Each SKMH Shareholder and each SKMM Shareholder is the legal and beneficial owner of the respective SKMH Shares and SKMM Shares set forth opposite its name on the Sellers' Notice, free and clear of any Encumbrances, and on the Implementation Date will deliver to Jacobs valid title to such shares free and clear of all Encumbrances. Each such SKMH Shareholder and SKMM Shareholder has the full right, power, capacity and authority to sell, transfer and deliver to Jacobs the full ownership in the shares to be sold by such SKMH Shareholder and SKMM Shareholder pursuant to this Agreement and to consummate the transactions contemplated herein.

9. Capacity and Authority.

- 9.1** SKMH (on behalf of itself and the SKMH Sellers), SKMM (on behalf of itself and the SKMM Sellers), the Sellers' Representatives and each other member of the SKM Group (as applicable) has full corporate power and authority to enter into this Agreement and each other agreement contemplated hereby to which it is a party (including the Transaction Documents) and to consummate the transactions contemplated herein and therein.

- 9.2** The execution and delivery of this Agreement by each of the SKM Parties and the Sellers' Representatives has been, and the execution and delivery of each other

agreement contemplated hereby to which the SKM Parties and any Sellers' Representative is a party has and will be, duly and validly authorised by all necessary court or corporate action on the part of each of the SKM Parties.

9.3 This Agreement has been, and each such other agreement will be, duly and validly executed and delivered by the SKM Parties, and this Agreement and such other agreement are and shall constitute the legal, valid and binding obligations of the SKM Parties, enforceable against them in accordance with their respective terms.

10. Events Since the Locked Box Date.

Since the Locked Box Date:

- (a) each member of the SKM Group has conducted its business in all material respects in the ordinary and usual course consistent with past practice and without any interruption or alteration in its scope, nature or manner, in each case so as to maintain the same as a going concern;
- (b) there has been no material adverse change in the financial condition, assets, liabilities, revenues or profitability of the SKM Group;
- (c) there has been no reduction in the value of the net tangible assets of the SKM Group on the basis of the valuations adopted in the Interim Accounts;
- (d) the SKM Group has not entered into any transaction which gives rise (now or through the passage of time) to a material liability to Taxation (or would have done so but for the availability of any relief, allowance, deduction or credit), other than corporation Tax on actual income (and not chargeable gains or deemed income) of the business of the SKM Group arising from transactions entered into in the ordinary course of business;
- (e) the SKM Group has not lost any Significant Customer or source of financing or been materially adversely affected by abnormal trading factors and, to the best of the knowledge of the SKM Parties, no facts exist that are likely to give rise to any such effect whether before or after the Implementation Date;
- (f) no material debtor has been released on terms that it pays materially less than the book value of any debt (other than settlement discounts on the usual terms which have been set out in the Disclosure Letter), written off or proved to be irrecoverable to any extent;
- (g) other than pursuant to the SKM Group Shareholding Plan and the SKM Group Internal Restructure, no member of the SKM Group has issued shares, or granted an option over its shares, or agreed to make such an issue or grant such an option, other than to another member of the SKM Group;
- (h) no member of the SKM Group has issued or agreed to issue securities convertible into shares, other than to another member of the SKM Group;
- (i) no member of the SKM Group has made any change to its constitution other than a change to facilitate the Merger or the SKM Group Internal Restructure;
- (j) no member of the SKM Group has entered into a contract or commitment restraining any member of the SKM Group from competing with any person or conducting activities in any market;

- (k) no member of the SKM Group has created, or agreed to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property other than in the ordinary course of business or other than a lien which arises by operation of law or legislation securing an obligation that is not yet due;
- (l) no member of the SKM Group has provided financial accommodations other than to another member of the SKM Group;
- (m) no member of the SKM Group has entered into or resolved to enter into a transaction with any related party of SKM (other than a related party which is a member of the SKM Group) as defined in section 228 of the Corporations Act;
- (n) no member of the SKM Group has voluntarily changed any accounting policy applied by it to report its financial position;
- (o) other than in the ordinary course of business, no member of the SKM Group has made any material amendment to the terms and conditions of its employees;
- (p) no member of the SKM Group has converted all or any of its securities into a larger or smaller number of securities;
- (q) no member of the SKM Group has reduced, or resolved to reduce, its capital in any way;
- (r) no member of the SKM Group has entered into a buy-back agreement or resolved to approve the terms of a buy-back agreement under the Corporations Act other than in respect of the Warehoused Shares;
- (s) no member of the SKM Group has issued, or agreed to issue, or granted an option to subscribe for, debentures (as defined in section 9 of the Corporations Act) other than to a member of the SKM Group;
- (t) no member of the SKM Group has agreed to pay, declared, paid or made or incurred a liability to pay or make, a dividend or any other form of distribution of profits or capital, other than the declaration and payment by any member of the SKM Group of a dividend, where the recipient of that dividend was a member of the SKM Group other than redemption of the Dividend Shares contemplated by clause 3.1(o) of the Merger Implementation Deed;
- (u) no member of the SKM Group has disposed, or agreed to dispose, of shares in any other member of the SKM Group other than in respect of the Warehoused Shares;
- (v) no member of the SKM Group has acquired, leased or disposed of, or agreed to acquire, lease or dispose of, or offered, proposed or announced an acquisition of, any entity, business or assets (including the release or waiver of the whole or part of any Indebtedness), other than (A) in the ordinary course of business or (B) as legally committed in any contract fairly and accurately disclosed to Jacobs in the Disclosure Letter;
- (w) other than in the ordinary course of business or as legally committed in any contract disclosed in the Disclosure Letter, no member of the SKM Group has entered into any contract or commitment (or any series of related contracts or commitments) that is for a period of 5 years or more, or requires or may result in expenditure by any member of the SKM Group (either alone or together with any other member of the SKM Group) of \$10,000,000 or more in any year, or pursuant to which any

member of the SKM Group has undertaken capital expenditures in excess of \$10,000,000;

- (x) no member of the SKM Group has incurred any financial indebtedness or issued any indebtedness or debt securities (or forgiven or agreed to forgive any indebtedness which is owed by a person) other than to another member of the SKM Group, other than in the ordinary course of business or pursuant to advances under its credit facilities currently in existence where the funds drawn pursuant to those advances are used in the ordinary course of business, to fund the redemption of the Dividend Shares as contemplated by clause 3.1(o) of the Merger Implementation Deed or in connection with a purpose that is contemplated and permitted in clause (v) above;
- (y) no member of the SKM Group:
 - (1) has paid any bonus to any director or officer of a member of the SKM Group, other than bonuses payable to executives for the year ended 23 June 2013 in accordance with the employment terms of that executive in existence and in the ordinary and usual course of business on the basis of principles consistent with those applied for the payment of bonuses by that member of the SKM Group for the year ended 24 June 2012 (provided that, for the avoidance of doubt, the payment of any bonus in accordance with such employment terms requires that the applicable performance targets or benchmarks relating to the payment of the bonus are satisfied and that any other applicable conditions are fulfilled);
 - (2) has increased the remuneration or compensation of any executive director or executive of any member of the SKM Group other than in accordance with that member's normal salary review procedure conducted in good faith and in the ordinary course of business on the basis of principles consistent with those applied for the normal salary review procedure;
 - (3) has granted to any director or executive of any member of the SKM Group any increase in severance or termination pay or superannuation entitlements; or
 - (4) made or agreed to make any material change to the terms of, or waived any material claims or rights under, or waived the material benefit of any provisions of, any contract of employment with any executive of any member of the SKM Group;
- (z) no member of the SKM Group:
 - (1) has changed the material terms of any Material Contract;
 - (2) has paid, discharged or satisfied any claims, liabilities or obligations in any material respect under any Material Contract other than the payment, discharge or satisfaction consistent with past practice and in accordance with its terms; or
 - (3) waived any material claims or rights under, or waived the benefit of any material provision of, any Material Contract; and

- (aa) no member of the SKM Group has agreed to settle any action, suit, arbitration, legal or administrative proceeding, actual or pending and whether made by or against the SKM Group, where the amount of that settlement exceeds \$2,000,000.

11. No Conflict .

- 11.1** Neither the execution and delivery of this Agreement or any other agreement contemplated hereby (including the Transaction Documents) to which any member of the SKM Group is a party nor the consummation or performance of any of the transactions contemplated hereunder or thereunder will (i) contravene, conflict with, or result in a violation of or default under any provision of the constitutional or charter documents of any member of the SKM Group; (ii) contravene, conflict with, or result in a breach of or default under any law, rule, regulation, writ, order, injunction, judgment or any order to which any member of the SKM Group or any of their assets are subject, or require any consent, action, approval, order or authorization of, or declaration or filing from or with, any Government Agency thereunder; or (iii) breach or conflict with, or result in a default under, or give any person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Material Contract (or give rise to any requirement to request or obtain counterparty consent under any such contract), or result in the imposition or creation of any material Encumbrance upon or with respect to any of the assets owned, leased or licensed by any member of the SKM Group in each case other than as set out in Section 11.1 to the Disclosure Letter.
- 11.2** To the best of the knowledge of the SKM Parties, there are no facts relating to the identity or circumstances of any member of the SKM Group that would prevent or materially delay obtaining any approvals from any Government Agency required for execution and delivery of this Agreement or the other Transaction Documents or consummation of the transactions contemplated by this Agreement or the other Transaction Documents.

12. Financial Statements.

- 12.1** The Accounts and the Previous Accounts, (i) have each been prepared on a proper and consistent basis in accordance with Law and the Accounting Standards, (ii) show a true and fair view of the financial position of the SKM Group as at the dates at which they have been prepared and its financial performance and cash flows for the accounting reference periods then ended.
- 12.2** The Management Accounts and the Locked Box Date Accounts were prepared in good faith in accordance with applicable Law and the Accounting Standards, and on a basis consistent with that adopted for the preparation of the Accounts, and with due care and attention, and are not materially misleading or deceptive.
- 12.3** To the best of the knowledge of the SKM Parties, KPMG will complete their audit of the Management Accounts not later than 30 September 2013, and their report thereon will be consistent with their report on the Accounts and will not contain any qualifications with respect thereto.
- 12.4** The cash balances of the SKM Group as of 31 March 2013 were not less than \$160,000,000.
- 12.5** Since 25 June 2011, there has been no change in the accounting practices or policies applied by the SKM Group, except as required by Law or as set forth in the notes to the Accounts.

13. Debt.

Section 13 of the Disclosure Letter contains, as of the date of this Agreement, a true, correct and complete listing of all indebtedness for borrowed money (including hedging

arrangements) of each member of the SKM Group, the outstanding principal balance thereof as of a recent practicable date, the interest rates payable in respect thereof, and the dates of maturity thereof. Except as disclosed in Section 13 of the Disclosure Letter, all of such indebtedness may be prepaid at any time, without premium, prepayment penalties, termination fees or other fees or charges. No member of the SKM Group has sent or received any written notice of breach, termination, intent to amend or intent not to renew or cure with respect to any of its contracts or arrangements relating to such indebtedness. No member of the SKM Group has given any guarantee or provided any other financial support in respect of the obligations or undertakings of any person other than a member of the SKM Group.

14. Internal Controls.

- 14.1** The records, systems, controls, data and information of each member of the SKM Group are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerised or not) that are under the exclusive ownership or direct control of another member of the SKM Group or a third party service provider with whom the member of the SKM Group has entered into a contractual arrangement for the recording, storing, maintenance and/or operating of the records, systems, controls, data or information (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not have a materially adverse effect on the system of internal accounting controls of any member of the SKM Group described in the following sentence. Since 1 January 2009, the SKM Parties have devised and maintained a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the timely preparation and reliability of financial statements in accordance with the Accounting Standards, including but not limited to providing reasonable assurance that: (i) transactions are executed in accordance with management's authorisation; (ii) transactions are recorded as necessary to permit the timely preparation of financial statements in conformity with the Accounting Standards and all relevant Laws and to maintain accountability for assets; (iii) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (iv) no member of the SKM Group maintains off-the-books accounts or more than one set of books, records or accounts.
- 14.2** Other than any material weaknesses identified in internal audit reports that have been provided to Jacobs in the Disclosure Materials at folders 06.10, 05.01.46 and 06.11.09 of the Data Site, to the best of the knowledge of the SKM Parties, there are no significant deficiencies in the design or operation of the internal controls of any member of the SKM Group that adversely affect their ability to record, process, summarise, and report financial data. The officers of the SKM Parties have identified via internal audit reports any material weaknesses in internal controls known to such officers and any fraud that involves employees who have a significant role in the internal controls. The SKM Parties have made available to Jacobs in the Disclosure Materials a summary of any such disclosures that have been made by management to the auditors since 1 January 2009.

15. Absence of Undisclosed Liabilities

Except for liabilities recorded or disclosed in the Locked Box Date Accounts, there are no outstanding material liabilities of any member of the SKM Group that are required to be recorded or disclosed in the Locked Box Date Accounts in accordance with the Accounting Standards, except (a) those arising subsequent to the Locked Box Date in the ordinary course of business and consistent with past practice; and (b) obligations under contracts to which any member of the SKM Group is a party.

16. Bank Accounts.

Section 16 of the Disclosure Letter contains a true, correct and complete list of all deposit and disbursement accounts and safe deposit boxes maintained by each member of the SKM Group with any bank, brokerage house or other financial institution.

17. Title to and Condition of the Assets.

Each member of the SKM Group has good and marketable title to, a valid leasehold interest in, or has the valid and enforceable right to use, all personal property and assets reflected in the Locked Box Date Accounts or acquired by any of them since the date thereof, in each case free and clear of all Encumbrances. Such assets constitute all of the assets necessary for the conduct of business as currently conducted by the members of the SKM Group. The tangible personal property and fixtures of the members of the SKM Group (i) is, as a whole and consistent with its age, in reasonable operating condition and repair, ordinary wear and tear excepted, (ii) has been maintained in all material respects in accordance with generally accepted industry practice, and (iii) is adequate for the uses to which it is being put.

18. Contracts.

- 18.1** Section 18.1 of the Disclosure Letter lists all Material Contracts. Complete, up to date and accurate copies of each of the Material Contracts, and all material amendments thereto, have been provided to Jacobs in the Disclosure Materials at the Data Site folders referenced in Section 18.1 of the Disclosure Letter.
- 18.2** Each Material Contract is legal, valid, binding, enforceable and in full force and effect against the member of the SKM Group party thereto and, to the best of the knowledge of the SKM Parties, the other parties thereto.
- 18.3** No member of the SKM Group and, to the best of the knowledge of the SKM Parties, no other person who is a party to any Material Contract, is in material breach or material default under any Material Contract (with or without the lapse of time, or the giving of notice, or both). To the best of the knowledge of SKM Parties, no member of the SKM Group has done or permitted to be done anything that would be reasonably likely to cause any Material Contract to be terminated. No member of the SKM Group has sent, nor have any of them received, any written notice of breach, termination, intent to materially amend or intent to not renew or cure with respect to any Material Contract that is not currently resolved.
- 18.4** Each Material Contract for the performance of work by any member of the SKM Group or their Related Persons has been approved pursuant to the SKM Group's contract approval process.
- 18.5** Since 1 January 2008, no bankable feasibility study reports have been prepared by the SKM Group that contain estimates, that are capable of being relied upon, of mineral quantities or qualities where any member of the SKM Group has been named as the 'Competent Person' or 'Qualified Person' (as such terms are defined under applicable codes, rules or regulations).
- 18.6** Except as set forth in Section 18.6 of the Disclosure Letter, no member of the SKM Group is party to a performance or other guarantee relating to any contract for goods or services. No beneficiary of any such guarantee has attempted to enforce the applicable guarantee, and neither SKM Party is aware of any circumstances which would permit a beneficiary to enforce any such guarantee.
- 18.7** Each relevant member of the SKM Group is fully indemnified by BHP Billiton in respect of any Loss arising out of the lease or rental termination in respect of several holiday units and bungalows at Aspen Parks in connection with the Fluor SKM Iron Ore (FAST) engineering project and joint venture.

19. Government Contracts.

- 19.1** Since 31 August 2008, with respect to every Government Contract and, to the extent noted below, each Governmental Contract Bid:

- (a) no fraud or fraudulent certifications were used in obtaining any Government Contract;
- (b) no member of the SKM Group has violated any material applicable legal requirement or agreement with the Government Agency pertaining to such Government Contract or Government Contract Bid; and
- (c) neither a Government Agency nor any third party has asserted any material claim or initiated any dispute proceeding against any member of the SKM Group with respect to any material claim that is not currently resolved, and no member of the SKM Group has asserted any material claim or initiated any dispute proceedings directly or indirectly against any such party that is not currently resolved.

19.2 No member of the SKM Group and none of their respective directors, officers or employees and, to the best of the knowledge of the SKM Parties, none of their respective affiliates or Related Persons are, or since 31 August 2008 have been, under administrative, civil or criminal investigation, indictment, audit or, to the best of the knowledge of the SKM Parties, internal investigation, with respect to any alleged irregularity, misstatement or omission arising under or relating to any Government Contract or Government Contract Bid with any Government Agency. No member of the SKM Group has made a voluntary disclosure to any Government Agency with respect to any alleged irregularity, misstatement or omission arising under or relating to any Government Contract or Government Contract Bid with any Government Agency that has led or would reasonably be expected to lead, either before or after the date hereof, to any of the consequences set forth in the immediately preceding sentence or any other material damage, penalty assessment, recoupment of payment or disallowance of cost.

19.3 No member of the SKM Group and none of their respective directors, officers or employees and, to the best of the knowledge of the SKM Parties, none of their respective affiliates or Related Persons currently are, or have been since 31 August 2008, the subject of any suspension or debarment proceedings by any Government Agency. No member of the SKM Group and none of their respective directors, officers or employees and, to the best of the knowledge of the SKM Parties, none of their respective affiliates or Related Persons has, with respect to any Government Contract or any Government Contract Bid: (i) made any unlawful expenditures relating to political activity to Government Officials or others; (ii) made or offered or solicited or accepted any contributions, payments, gifts, gratuities, or any other item of any value in violation of the laws, regulations or requirements of any Government Agency; or (iii) violated in any material respect any applicable legal requirement.

20. Compliance with Legal Requirements; Governmental Authorisations.

20.1 Except with respect to (a) labour and employment matters (which are addressed in paragraphs 26 and 27 below), (b) employee benefit matters (which are addressed in paragraph 28 below), (c) Environmental Laws (which are addressed in paragraph 24 below): (i) each member of the SKM Group has complied with and is in compliance with all material applicable Laws, legal requirements and governmental orders; (ii) no SKM Party has received any notice in writing that any proceeding is filed or threatened against any member of the SKM Group with respect to any alleged violation by any of them of any material legal requirements; (iii) there is no outstanding written correspondence between any member of the SKM Group and any Government Agency with respect to any alleged violation by any of them of any material legal requirements, (iv) each member of the SKM Group, to the best of their knowledge, has all material licenses, permits, franchises and authorisations that are required by all applicable legal requirements in the operation of the Business or are necessary for the operation of the Business as presently being conducted in each applicable jurisdiction, and (v) no SKM Party has received any notice in writing that the licenses, permits, franchises and authorisations (as applicable) issued to the members of the SKM

Group are not in full force and effect or are not in compliance with such governmental authorisations or that such governmental authorisations will be terminated or become terminable or impaired as a direct result of the transactions contemplated hereby. Each relevant member of the SKM Group is in compliance with the material terms of each applicable license, permit, franchise and authorisation (and the applicable Law under which such license, permit, franchise or authorisation was granted). Without limiting the generality of the foregoing, SKM Thailand is in compliance in all material respects with the Foreign Business Law of Thailand.

- 20.2** Section 20.2 of the Disclosure Letter sets forth all licenses, permits, franchises and authorisations referred to in paragraph 20.1(iv), true, correct and complete copies of which have been provided in the Disclosure Materials. All material certificates, filings and other documents and materials required by any Government Agency to be filed or submitted by any member of the SKM Group under applicable legal requirements or governmental authorisations have been so filed or submitted.

21. Sanctions.

- 21.1** Since 1 January 2008, no member of the SKM Group, nor to the best knowledge of the SKM Parties, any person acting on behalf of any member of the SKM Group, has carried on business with (i) any person that was at the time of such business located or organized in any Sanctioned Country or (ii) any person that was at the time of such business the target of Sanctions Laws and Regulations.

22. Anti-Bribery and Anti-Corruption Laws .

- 22.1** Neither SKM Party and, to the best of the knowledge of the SKM Parties, no other member of the SKM Group or any person or entity acting on behalf of any member of the SKM Group, has at any time since 1 January 2008, taken any action, directly or indirectly, that would result in a violation of any applicable Anti-Corruption Law (including anti-money laundering Laws). The SKM Parties and, to the best knowledge of the SKM Parties, all other members of the SKM Group have conducted the Business in compliance with all applicable Anti-Corruption Laws.
- 22.2** Neither SKM Party and, to the best of the knowledge of the SKM Parties, no other member of the SKM Group or any of their respective directors, officers or employees or any person or entity acting on behalf of any member of the SKM Group in connection with the operation of the Business, has at any time since 1 January 2008 been under administrative, regulatory, civil or criminal investigation, indictment, audit or internal investigation with respect to any suspected, alleged or actual violation of any Anti- Corruption Law, and neither SKM Party is aware of any circumstances likely to give rise to such action or investigation.
- 22.3** Since 1 January 2008, to the best of the knowledge of the SKM Parties, no member of the SKM Group nor any of their respective directors, officers or employees, nor any person or entity acting on behalf of any member of the SKM Group in connection with the operation of the Business, has made any offer, payment, promise or authorisation of the payment of any money, or other property, gift, promise to give, or authorisation of the giving of anything of value, directly or indirectly, to: (i) any Government Official; (ii) any political party, party official or candidate for public office; (iii) any person, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to anyone described in (i) or (ii) above. To the best of the knowledge of the SKM Parties, since January 1 2008, no payments or transfers of value have been made by or on behalf of any member of the SKM Group, that are an unlawful means of obtaining business or retaining business, or securing an improper business advantage.
- 22.4** Since 1 January 2008, no member of the SKM Group, nor to the best of the knowledge of the SKM Parties, any person or entity acting on behalf of any member of the SKM Group,

has accepted or received any unlawful contributions, payments, gifts, or expenditures in connection with the operation of the Business.

- 22.5** No member of the SKM Group has ever been debarred or, to the best of the knowledge of the SKM Parties, blacklisted, by any client or any direct or indirect International Funding Institution due to (i) alleged fraudulent conduct or (ii) alleged conduct that would result in a violation of any applicable Anti-Corruption Law.
- 22.6** Without limiting the generality of paragraph 1.2, all written information supplied to Jacobs or its Representatives in connection with the matters described in this paragraph 22 during the Due Diligence process was complete and accurate to the best of the SKM Parties' knowledge.
- 22.7** The members of the SKM Group acknowledge and agree that in connection with the implementation of the transactions contemplated by this Agreement and the other Transaction Documents, none of them will pay or incur any cost or expense where it would be unlawful to do so.

23. Taxes.

23.1 General

- (a) All Tax Returns of the members of the SKM Group due prior to Implementation have been timely and properly filed, and all such returns were true, correct and complete in all material respects at the time of filing.
- (b) No Tax liens have been filed against the assets of any member of the SKM Group.
- (c) No member of the SKM Group has entered into any concession, agreement or arrangement that extends the period of assessment or amended assessment or payment of any Tax (or is otherwise a beneficiary of any extension of time within which to file any return except as is provided for in the ordinary conduct and administrative practices of particular jurisdictions) and no Tax Authority has operated or agreed to operate any special arrangement (being an arrangement which is not based on relevant Tax Law or any published Tax practice) in relation to the Tax affairs of any member of the SKM Group.
- (d) Each member of the SKM Group has complied with all material obligations under laws relating to Taxes under the Tax Law.
- (e) Taxes due and payable after Implementation in respect of each member of the SKM Group's activities up to Implementation have been properly provided for in the Locked Box Date Accounts.
- (f) The amount of the provision for Tax in respect of each member of the SKM Group contained in the Locked Box Accounts was, at the Locked Box Accounts Date, adequate.
- (g) No event has occurred which has prevented or could prevent a member of the SKM Group obtaining the benefit of any deferred tax asset provided for in the Locked Box Date Accounts.
- (h) Each member of the SKM Group has prepared and kept all records necessary to correctly determine and assess all Taxes payable in respect of each member of the SKM Group's activities up to Implementation. For the avoidance of doubt, "all records" includes preserving all Tax advice and analysis for such periods whether prepared internally or received from advisors; permanent records with respect to Tax basis information with respect to assets and shares; and counterparty provided information (such as residency and status claims by employees as they may relate to proper payroll withholding).
- (i) Within the past five years, no member of the SKM Group has paid or become circumstances by reason of which it or they may become liable to pay to any Tax

Authority, any penalty, fine, surcharge or interest in respect of any Taxation (including in respect of any failure to make any return, give any notice or supply any information to any Tax Authority or to pay any Taxation on the due date for payment).

- (j) No member of the SKM Group has ever been party to, utilised or implemented any Tax equalisation with, or in respect of, any employee, shareholder, contractors or other person.
- (k) No US Entity Classification Elections (Forms 8832) have been filed with respect to any member of the SKM Group for US Tax purposes, except as provided in Section 23.1(k) to the Disclosure Letter.
- (l) The acquisition or disposal of any of the Warehoused Shares has not subjected any member of the SKM Group to any Tax.
- (m) The SKM Group is not aware of any circumstances under which the redemption of any shares or stock which were issued to any shareholder of any member of the SKM Group on or prior to Implementation will be treated other than as a redemption for Tax purposes.

23.2 Tax payments

- (a) All Tax payable by each member of the SKM Group on Income, Profits or Gains for Tax periods ending before Implementation has, to the best of SKM's knowledge, been correctly assessed and duly paid in accordance with the Tax Laws set out in the respective jurisdictions.
- (b) All PAYG Instalments (or similar instalment payments under any equivalent Tax Law) payable by each member of the SKM Group on instalment income for instalment periods ending before Implementation have been correctly assessed and duly paid in accordance with the Tax Laws set out in the respective jurisdictions.
- (c) In relation to each member of the SKM Group's activities up to Implementation:
 - (1) the Tax consequences of all transactions involving foreign currency entered by any member of the SKM Group have been correctly determined in calculating the Tax payable in respect of those transactions for the income years ending before Implementation and the provision for Tax in the Locked Box Date Accounts;
 - (2) no member of the SKM Group has, and will not before Implementation have, any attribution interests in non-resident trusts or foreign investment funds;
 - (3) no member of the SKM Group has, and will not before Implementation have, any interests in Income, Profits or Gains of any trusts, or limited partnerships;
 - (4) all choices, elections, rollovers and other like matters relating to the income tax and corporation tax affairs of the members of the SKM Group which have been taken into account in assessing income tax payable up to Implementation have been duly made (in writing), are included in the income tax and corporation tax records of members of the SKM Group, and have (where necessary to be valid) been duly furnished to the applicable Tax Authority;
 - (5) all loss transfers, transfers of deductions, and other like matters relating to the income tax and corporation tax affairs of the members of the SKM Group which have been taken into account in assessing income tax and writing), are included in the income tax and corporation tax records of the members

of the SKM Group, and have (where necessary to be valid) been duly furnished to the applicable Tax Authority;

- (6) except as disclosed in any Disclosure Supplement, no assets (of a value greater than \$100,000) of any member of the SKM Group are or have been financed by limited recourse debt, held under a lease or hire purchase, treated for income tax purposes as owned by another person, or subject to section 51AD or Division 16D of Part III of Australia's Income Tax Assessment Act 1936 or subject to Division 250 of Australia's Income Tax Assessment Act 1997;
- (7) to the best of SKM's knowledge, all rents, interest, or other sums of an income nature (**Income Expenses**) paid under any obligation incurred by any member of the SKM Group prior to Implementation have been, and to the best of the knowledge of the SKM Parties, such Income Expenses which any member of the SKM Group is under an existing obligation to pay in the future will be, under current law and applicable accounting practice, deductible for the purposes of Tax;
- (8) all research and development deductions claimed by any member of the SKM Group up to Implementation have been validly claimed, and all associated research and development registrations have been duly obtained and kept in force up to Implementation;
- (9) no member of the SKM AUS Consolidated Group has ever been, and up to Implementation will not be subject to Tax as a superannuation or insurance entity, a Tax exempt entity, a dual resident entity, a trustee, or any other kind of entity other than an Australian resident company subject to Tax at the ordinary company Tax rate on its income.

23.3 Tax Consolidation

Except as set forth on Section 23.3 of the Disclosure Letter, no member of the SKM Group is bound by, or a party to, any Tax allocation, Tax indemnity or Tax sharing agreement or arrangement nor do any of them have an obligation to make any payments under any such agreement or arrangement.

23.4 Australian Consolidation

- (a) Each member of the SKM AUS Group is a subsidiary member of the SKM AUS Consolidated Group, and within the meaning of Part 3-90 of Australia's Income Tax Assessment Act 1997:
 - (1) the SKM AUS Consolidated Group was formed on 7 July 2003;
 - (2) the SKM AUS Consolidated Group is not a MEC Group for the purposes of section 719-5 of Australia's Income Tax Assessment Act 1997;
 - (3) each member of the SKM AUS Group became a subsidiary member of the SKM AUS Consolidated Group on the date the SKM AUS Consolidated Group was formed or such later date as SKMH has notified to Jacobs in Section 23.4(a)(3) of the Disclosure Letter and will remain a subsidiary member until completion;
 - (4) no member of the SKM AUS Group has been a head company or subsidiary member of any other consolidated group or MEC Group;
 - (5) all group liabilities of the SKM AUS Consolidated Group for any pre- Implementation period in which any member of the SKM AUS Group is a

contributing member have been or will be correctly assessed and duly paid by the head company of the SKM AUS Consolidated Group;

- (6) all group liabilities of the SKM AUS Consolidated Group are and until the Implementation Date will be covered by one or more valid Tax sharing agreements under section 721-25 of Australia's Income Tax Assessment Act 1997;
- (7) if a copy of any such Tax sharing agreement has been or is demanded by the Commissioner of Taxation at any time before Implementation, it has been or will be supplied to the Commissioner within the time required to ensure the agreement does not cease to cover the group liabilities;
- (b) The head company of the SKM AUS Consolidated Group has not claimed any bad debt deductions for any debts which are assets of any member of the SKM AUS Group.

23.5 Capital gains; degrouping gains

- (a) The implementation of the transaction contemplated by this Agreement will not give rise to any deemed disposal or realisation by any member of the SKM Group of any asset or liability for any Tax purpose or otherwise trigger any claw-back of Taxes.
- (b) So far as SKM is aware, no member of the SKM Group has disposed of or acquired any asset in circumstances such that a price other than the price actually paid may be substituted for Tax purposes
- (c) To the best of SKM's knowledge, if any member of the SKM Group disposed of each of its assets (except trading stock and work-in-progress) for a consideration equal to the book value of that asset as shown in or adopted for the purposes of the Accounts to a person not connected with it and by way of bargain at arm's length, no liability to Tax would arise by reference to any actual or deemed profit or gain and no member of the SKM Group has acquired any such asset except by way of bargain at arm's length and from an unconnected person.
- (d) Each member of the SKM Group has sufficient records of past events to permit accurate calculation of the Taxation liability or relief which would arise on the disposal or termination on Implementation of each asset owned by each member of the SKM Group.
- (e) SKMH has disclosed in Section 23.5(e) of the Disclosure Letter complete and accurate details as to the Tax basis in the shares and/or stock of each of its subsidiaries.

23.6 Franking, etc.

- (a) No franking account of a member of the SKM AUS Group will be in deficit before, or just after Implementation. Each member of the SKM AUS Consolidated Group's franking account at Implementation will have a surplus of not less than \$50,000,000.
- (b) In relation to each member of the SKM AUS Consolidated Group's activities up to Implementation:
 - (1) each member has kept accurate franking account records at all times up to Implementation;
 - (2) each member will have no liabilities for franking Tax before, or just after Implementation;
 - (3) neither a member of the SKM Group, nor the head company of any consolidated group or MEC Group of which any member of the SKM Group becomes a member at or after Implementation, will incur any liability for

franking Tax by reason of anything happening to any member of the SKM Group before Implementation, or by reason of any Tax paid

by any member of the SKM Group before Implementation being refunded after Implementation;

- (4) no member has ever been, and up to Implementation will not become, an exempting company or a former exempting company
 - (5) no member has ever had, and up to Implementation will not have, a tainted share capital account;
 - (6) no member will have any liability to pay untainting Tax after Implementation by reason of anything happening to it before Implementation;
 - (7) all dividends or other frankable distributions paid by any member before Implementation have complied or will comply with the benchmark rule in section 203 25 of Australia's Income Tax Assessment Act 1997;
 - (8) SKMH has not made a linked distribution (as defined in section 204-15 of Australia's Income Tax Assessment Act 1997), issued tax exempt bonus shares (as defined in section 204-25 of the Income Tax Assessment Act 1997), streamed a distribution within the meaning of section 204-30 of Australia's Income Tax Assessment Act 1997;
 - (9) no member will suffer a penalty by reason of over declaring conduit foreign income on any frankable distribution made before Implementation.
- (c) SKMH has disclosed in Section 23.6(c) of the Disclosure Letter complete and accurate details as to the franking balance or imputation credit balance in SKM New Zealand following the SKM Group Internal Restructure.

23.7 Withholding Taxes

- (a) To the best of SKM's knowledge, each member of the SKM Group has withheld, deducted and duly paid all amounts due for or on account of any withholding tax or like impost for or on account of Tax as should have been made to any Tax Authority.
- (b) To the best of SKM's knowledge, each member of the SKM Group has duly withheld, deducted or paid (as the case requires), in respect of all payments or non-cash benefits made or provided to another person before Implementation, the correct amounts due for or on account of any Tax, including without limitation:
 - (1) any PAYG Withholding tax due on dividends, interest, royalties or other payments or non-cash benefits paid or provided to or for the benefit of non-residents or recipients with addresses outside Australia;
 - (2) any PAYG Withholding tax due on transactions with persons failing to quote a Tax file number or an Australian Business Number;
 - (3) any PAYG Withholding tax due on any other transactions;
 - (4) any other withholding tax or like Tax due on any payments or non-cash benefits.

23.8 Employee and contractor Taxes

- (a) Except as otherwise disclosed or provided for in the Locked Box Date Accounts, no member of the SKM Group has any liabilities arising as a result of any failure to withhold, deduct or pay amounts due for or on account of any Tax in respect of any payments or non-cash benefits made or provided to employees, contractors or any

other persons providing labour or services before Implementation, including without limit any amounts payable on account of:

- (1) PAYG Withholding;
 - (2) fringe benefits tax;
 - (3) superannuation guarantee charge;
 - (4) payroll tax;
 - (5) workers' compensation levies or contributions;
 - (6) HECS, HELP, family Tax benefit, child support or other social security items or national insurance contributions; or
 - (7) any similar taxes in any country to which the SKM Group member may be subject to tax or required to withhold with respect to payments to employees.
- (b) Each member of the SKM Group has complied with all obligations in respect of Tax file numbers of employees.
- (c) No member of the SKM Group has ever been, and will not before Implementation become, a member of a payroll tax group.
- (d) Each employee of any member of the SKM Group that is employed, situated or working outside of their home jurisdiction for more than a period of six months in any given year has been properly registered with, and placed on, the applicable local payroll.
- (e) Each member of the SKM Group which is required by applicable Tax law to operate payroll in respect of direct or indirect contractions has properly operated such payroll and has duly paid all payroll Taxes in respect of such contractions.
- (f) Section 23.8(f) of the Disclosure Letter contains details of all employee benefits schemes approved by any Tax Authority (**Approved Schemes**).
- (g) All employee share plans in respect of which employees of members of the SKM Group have claimed concessions or exemptions (pursuant to former Division 13A of Part III of the Income Tax Assessment Act 1936 or Division 83A of Australia's Income Tax Assessment Act 1997 or any similar provision in any other jurisdiction) have been administered in compliance with the conditions required to obtain such concessions and exemptions.
- (h) The share plans in respect of which employees of the SKM Group are members:
- (1) have not resulted in any securities being issued at a discount for the purposes Division 83A of Australia's Income Tax Assessment Act 1997 or any other predecessor provision or any similar provision in any other jurisdiction;
 - (2) have not resulted in the issue of any restricted securities within the meaning of Part 7 of the United Kingdom's Income Tax (Earnings and Pensions) Act 2003 or any similar provision in any other jurisdiction; or
 - (3) have not resulted in the issue of any securities which has subjected a member of the SKM Group to any form of Tax in respect of their issue.
- (i) No employee of any member of the SKM Group or any person who is, has been or could be, treated as an employee of any member of the SKM Group for Taxation purposes by any Tax Authority has held, exercised or otherwise disposed of any shares, securities, options over shares or securities or interests in shares or securities in respect of which any member of the SKM Group has had to on or prior to

Implementation, or may have to following Implementation, account for income Tax or national insurance, social fund or similar contributions liabilities (or equivalent obligations in any jurisdiction), whether or not through PAYG, the United Kingdom's Pay As You Earn or any equivalent payroll or withholding system in any other jurisdiction.

- (j) No amount paid by any member of the SKM Group to any shareholder as a dividend or on a redemption of shares or securities has prior to Implementation been, and to the best of SKM's knowledge, will following Implementation be, characterized or re-characterized as compensation or employment income by any Tax Authority.
- (k) No current or former shareholder of any member of the SKM Group that is (or was) resident for Tax purposes in the UK has made an election under section 431 of the United Kingdom's Income Tax (Earnings and Pensions) Act 2003.
- (l) Each member of the SKM Group has duly filed Tax Returns in respect of, and duly paid, any personal income Taxes and social security, or national insurance, contributions (whether in the home and/or host country) of all individuals employed or engaged by the relevant member of the SKM Group that is on a foreign assignment.

23.9 Indirect Taxes

- (a) Each member of the SKM Group, which is required to be registered for Indirect Taxes, is duly registered, and will remain duly registered up to Implementation (and, where required by applicable Law, is a Taxable person for the purposes of any Indirect Tax legislation or regulation).
- (b) Each member of the SKM Group has paid when due the correct amount of Indirect Taxes payable before Implementation on any supply, importation or other transaction occurring before Implementation and will not have any liability for Indirect Taxes payable after Implementation on any such supply, importation or other transaction, except insofar as is provided for in the Locked Box Date Accounts.
- (c) No member of the SKM Group has claimed any input Tax credits or reduced input Tax credits for Indirect Tax purposes before Implementation to which it is not entitled.
- (d) All supplies made by the members of the SKM Group are subject to Indirect Taxes. No member of the SKM Group has been denied full credit or allowance for all Indirect Taxes paid or suffered by it.
- (e) All Indirect Tax invoices or other documents required to be issued to any person or agency under applicable Indirect Tax legislation or regulation (including, without limitation, the GST Law) in respect of all supplies, importations or other transactions made by any member of the SKM Group before Implementation have been or will be correctly prepared and duly issued.
- (f) So far as SKM is aware, no member of the SKM Group will have, under current law and applicable accounting practice, any liabilities after Implementation to pay increased amounts of consideration, or any form of indemnity or gross up, on account of Indirect Taxes payable by any other person on any supply, importation or other transaction occurring before Implementation.

- (g) As at Implementation, the “Financial Acquisitions Threshold” as defined in Australia’s A New Tax System (Goods and Services Tax) Act 1999 has not been exceeded for the last 5 years.
- (h) To the best of the knowledge of the SKM Parties, no wholesale sales Tax or like impost will be payable by any member of the SKM Group after Implementation by reason of any transactions entered into by a member of the SKM Group before Implementation.
- (i) Except as disclosed by SKMH in Section 23.9(i) of the Disclosure Letter, no member of the SKM Group has been treated as a member of a group for the purposes of any Indirect Tax legislation, and has not applied for such treatment

or, if it has been so treated, it has accounted to the representative member of the relevant group for all Indirect Tax that is properly attributable to it.

- (j) Each member of the SKM Group has duly paid all duties of customs and excise payable on any imports, or any production, manufacture, sale or distribution, of goods or other items, before Implementation.
- (k) No member of the SKM Group has claimed, and will not before Implementation claim, diesel fuel rebates.

23.10 Stamp Taxes; Customs and Excise

- (a) Other than in respect of the Transaction Documents, all Duty and transfer Taxes (including any interest, penalty or fine) payable by any member of the SKM Group (including on all material contracts, agreements, deeds, securities or other instruments (including relating to the SKM Group Internal Restructure) to which any member of the SKM Group is party, or to which any member of the SKM Group has agreed to pay the Duty, or which have been executed for any member of the SKM Group’s benefit to the date of this Agreement or for which it may be necessary or desirable in proving title of any member of the SKM Group to any asset it owns at Implementation) have been assessed and duly paid and all documents and instruments duly stamped, and SKMH has disclosed in Section 23.10(a) of the Disclosure Letter all stamp duties and transfer Taxes in relation to any transactions incurred on or prior to Implementation.
- (b) No member of the SKM Group will incur new liabilities on account of stamp duties after the date of this Agreement and before Implementation, except as disclosed in Section 23.10(b) of the Disclosure Letter.
- (c) No Duty (including land rich/landholder duty and any interest, penalty or fine), land Tax or similar Tax or Duty has been or will be payable in respect of any transactions before Implementation relating to shares or other interests held directly or indirectly in any member of the SKM Group.
- (d) SKMH has disclosed in Section 23.10(d) of the Disclosure Letter full details of any corporate reconstruction relief or any other form of stamp duty or duty relief (as applicable), exemption or concession that has been allowed or claimed in respect of any transactions relating to any member of the SKM Group or any of their property or assets before Implementation.
- (e) Neither entry into this Agreement nor any of the transactions it contemplates will cause any member of the SKM Group to become liable to pay any amounts to any person, Government Authority or Tax Authority in relation to any stamp duty or duty (as applicable) relief, exemption or concession previously claimed by any member of the SKM Group or any other person.

23.11 PRRT and other mining Taxes

No member of the SKM Group has incurred, and will not before Implementation incur, any liabilities for petroleum resource rent Tax, mining royalties, petroleum royalties, or like imposts.

23.12 Land Tax

- (a) No member of the SKM Group holds any real estate such that it would be treated as a real estate holding company for any Tax purposes or has otherwise, and will not before Implementation incur, any liabilities for land Tax or like imposts.
- (b) No member of the SKM Group has been, and will not before Implementation become, a member of a land Tax group.
- (c) No member of the SKM Group has incurred, and will not before Implementation incur, any liabilities for any congestion levy or like imposts.
- (d) All municipal or council rates and levies or like imposts payable by any member of the SKM Group in respect of any assessment period for those imposts commencing before Implementation, have been correctly assessed and duly paid, or disclosed in Section 23.12 of the Disclosure Letter.

23.13 Foreign (Non-Australian) Taxes

- (a) The territories which are given in Section 23.13 of the Disclosure Letter as being those in which the SKM Group is treated as being resident for Tax purposes are the only territories whose Tax Authorities seek to charge Tax on the worldwide profits or gains of that member of the SKM Group.
- (b) No member of the SKM Group has ever:
 - (1) filed Tax returns to any Tax authority;
 - (2) paid Tax on Income, Profits or Gains to any Tax Authority (except in some instances by way of withholding); or
 - (3) otherwise had a taxable presence,

in any other territory except as disclosed in Section 23.13 of the Disclosure Letter.

23.14 Rulings and Registrations

- (a) All assumptions as to facts or otherwise on which a Tax Authority has relied in giving any Tax ruling and clearance were valid at the time the Tax ruling or clearance was obtained by the SKM Group and SKM has no reason to believe they will not remain valid and no member of the SKM Group has acted or failed to act in any way which has or might alter, prejudice or infringe any tax ruling.
- (b) All registrations required to be obtained by each member of the SKM Group in respect of each member of the SKM Group's activities up to Implementation for the purposes of any Tax law before Implementation (including, without limitation, any required for the purposes of income Tax, Indirect Taxes, Australian Business Number laws, Tax file number laws, PAYG withholding, payroll Tax, land Tax, or customs and excise duties) have been duly obtained and will be duly maintained up to Implementation.

23.15 Tax invoices, statements etc.

To the best of the knowledge of the SKM Parties, any statement, information, Tax ruling request, invoice, notice, computation, election or return which has been made, filed, lodged or submitted to a Tax Authority in respect of any Tax or Tax matter:

- (a) is true, correct and complete;
- (b) discloses all material facts which should be disclosed under any relevant Tax Law;

- (c) is not false, misleading or deceptive; and
- (d) has been made, filed, lodged or submitted on time.

23.16 Tax audits and disputes

- (a) Save as set out in Section 23.16(a) of the Disclosure Letter (which contains a list of all audits of all returns of the members of the SKM Group, if any, for the last five (5) years and any adjustments formally assessed as a result of such audits have been paid, reserved against or settled), no member of the SKM Group is subject to any audit, investigation, review or enquiry by any person or Tax Authority in relation to Taxes.
- (b) To the best of the knowledge of the SKM Parties, in relation to each member of the SKM Group there is no planned or on-going investigation, enquiry, audit or non-routine visit by any Tax Authority and there are no facts which might cause

such an investigation, enquiry, audit or non-routine visit to be instituted or that will result in an obligation by any member of the SKM Group to pay any additional amount of Taxes.
- (c) No member of the SKM Group is party to any litigation, court proceedings or other dispute with any person or Tax Authority in relation to Taxes.
- (d) No member of the SKM Group has given to any other person or Tax Authority any indemnities, guarantees or warranties with respect to Taxes

23.17 Transfer Pricing

- (a) To the best of the knowledge of the SKM Parties, there are no circumstances which could cause any Government Agency to make any adjustment for Tax purposes, or require any such adjustment to be made, to the terms on which any related party transaction is treated as taking place, and no such adjustment has been made or attempted in fact.
- (b) Without prejudice to the generality of the preceding paragraph, no member of the SKM Group is or could be treated as thinly capitalised for any Tax purpose. To the best of the knowledge of the SKM Parties, there are no circumstances which could cause any Tax Authority to deny relief for interest paid by any Company, and no such relief has been denied in fact.

23.18 Secondary Liabilities

SKM is not aware of any transaction, act, omission or event which has occurred and in consequence of which any member of the SKM Group is or may be held liable for any Tax of any person or may otherwise be held liable for or to indemnify any person in respect of Tax that is primarily or directly chargeable against or attributable to any person other than the applicable member of the SKM Group concerned.

23.19 Group matters

- (a) Section 23.19 of the Disclosure Letter gives details of all Tax consolidation, grouping arrangements and agreements in connection with being a member of a group for any Tax purpose that each member of the SKM Group has been party to prior to Implementation.
- (b) No member of the SKM Group is or shall become liable to Tax as a result of the entering into or performance of this Agreement or any other Transaction Document.
- (c) No member of the SKM Group is, and will not be, obliged to make or entitled to receive any payment in respect of any amount surrendered by way of Tax relief to or by such member of the SKM Group in respect of any period ending on or before Implementation.

- (d) SKMIH has no U.S. shareholders, assets or income which is effectively connected with the conduct of a trade or business carried out in the U.S. as defined in the Internal Revenue Code of 1986 and the regulations and pronouncements thereunder

23.20 Tax Avoidance

- (a) To the best of the knowledge of the SKM Parties, no transactions to which the SKM Group is and was a party constitute or form part of any Tax avoidance scheme in any jurisdiction.
- (b) No member of the SKM Group has been knowingly involved in any transaction or series of transactions which, or any part of which, may for any Tax purposes need to be specifically disclosed to a Government Agency other than as part of routine periodic compliance or which is at risk of being disregarded, re-characterised or reconstructed by reason of any motive to avoid, reduce or delay a possible liability to Tax.

23.21 Reorganisations and mergers

No member of the SKM Group has claimed or been granted exemptions from Tax in connection with reorganisations or mergers. Reorganisations or mergers which take effect on or before Implementation will not give rise to the assessment or payment of Tax after Implementation.

23.22 Intangible Assets and Intellectual Property

For the purposes of this paragraph, references to intangible fixed assets mean intangible fixed assets, goodwill and intellectual property. Section 23.22 of the Disclosure Letter sets out the amount of expenditure on each of the intangible fixed assets of each member of the SKM Group and provides the basis on which any deduction or allowance relating to that expenditure has been taken into account in the Locked Box Accounts or, in relation to expenditure incurred since the Locked Box Accounts Date, will be available to the relevant member of the SKM Group. No circumstances have arisen since the Locked Box Accounts Date by reason of which that basis might change.

24. Compliance with Environmental Laws.

- 24.1** Section 24.1 of the Disclosure Letter sets forth a schedule of complete, up to date and accurate material permits, licenses and other authorisations issued under any Environmental Law applicable to any member of the SKM Group (**Environmental Permits**).
- 24.2** Since 1 January 2008, no member of the SKM Group has received notice from any Government Agency or any third party notifying them of (i) any Hazardous Substances which have been generated, treated, stored, handled or removed from or disposed of on the Leased Real Estate that could give rise to material liability of any member of the SKM Group pursuant to any Environmental Law, or (ii) any Hazardous Substances which have migrated onto the Leased Real Estate from any adjacent property or which have migrated, emanated or originated from the Leased Real Estate onto any other property.
- 24.3** The members of the SKM Group have obtained all material governmental authorisations and approvals, certificates, consents, licenses, orders and permits or other similar authorisations from any person required for the operation of the Business and their use of the Leased Real Estate required by any Environmental Law.
- 24.4** Each member of the SKM Group is in compliance in all material respects with all applicable Environmental Laws and all Environmental Permits. No member of the SKM Group has received any notice, order, claim, demand or like communication from a Government Agency or any other person to revoke, review, suspend, modify, terminate, challenge, not renew or commence any other proceedings in respect of any Environmental Permit.

24.5 To the best of the knowledge of the SKM Parties, there exists no filed or notified Environmental Claim against any member of the SKM Group or, to the best of the knowledge of the SKM Parties, the owner of the Leased Real Estate.

25. Insurance.

Section 25 of the Disclosure Letter lists all insurance policies, bonds, letters of credit and other surety arrangements currently maintained by any member of the SKM Group and any self-insurance arrangement by or affecting any member of the SKM Group or their assets, and the SKM Parties have made available to Jacobs in the Disclosure Materials in folder 06.03 of the Data Site a true, complete and correct copy of each such policy, bond, letter of credit and other arrangement. Each such insurance policy and bond has been fully paid and is in full force and effect, and no member of the SKM Group has received notice of any cancellation or threat of cancellation of such insurance or bond, amendments or increases in deductibles or premiums. Each member of the SKM Group is in compliance with all statutory obligations and contractual requirements under Material Contracts to maintain insurance. To the best of the knowledge of the SKM Parties, there is no basis for the assertion against any member of the SKM Group of any retroactive adjustment to any insurance premiums payable by any member of the SKM Group. Section 25 of Disclosure Letter sets forth all (i) material professional indemnity or errors and omissions or (ii) other claims in excess of \$25,000 that have been made against such insurance policies in the last five (5) years or which the SKM Parties have received written notice may be made against any member of the SKM Group. Except as disclosed in Section 25 of the Disclosure Letter, all such claims have been reported to the appropriate insurers in a timely fashion. Since 1 January 2010, there has not been any claim by any member of the SKM Group made under any such policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies. No member of the SKM Group has been refused any insurance by any insurance carrier at any time during the past three (3) years.

26. Personnel Matters.

The SKM Parties have provided to Jacobs in the Disclosure Materials at folders 04.03.37 and 02.02.07 of the Data Site a true, correct and complete list of all officers, employees, directors, independent contractors, consultants, secondees and expatriates of each member of the SKM Group (for purposes of paragraphs 26, 27 and 28, each, an "employee") as of 26 August 2013 (with respect to the Disclosure Materials at folder 04.03.37) and 02 September 2013 (with respect to the Disclosure Matters at folder 02.02.07), together with their date of employment and rates of salary, wages or commissions. None of the directors or officers of any member of the SKM Group has a service contract in respect of their holding of office beyond the Implementation Date, and

no director receives additional remuneration (other than expenses) over and above their service terms for acting as an officer or director. A true, correct and complete copy of the personnel policies and procedures of each member of the SKM Group current to 27

August 2013 has been made available to Jacobs in the Disclosure Materials at folder

04.09 of the Data Site. Other than as set forth in Section 26 of the Disclosure Letter, no member of the SKM Group has entered into any contract with any employee entitling such person to a bonus or other payment upon the consummation of the transactions contemplated hereby. Other than as set forth in Section 26 of the Disclosure Letter, no member of the SKM Group is a party to any agreement with any employee that cannot be terminated by any member of the SKM Group by giving notice of sixty (60) calendar days or less, and without liability to any member of the SKM Group for such termination other than payment of standard accrued entitlements and payment for services rendered through the termination date.

27. Labour Practices.

27.1 With respect to the employees of a member of the SKM Group:

- (a) the members of the SKM Group are in compliance with all applicable legal and contractual obligations and other legal requirements concerning the employees or otherwise relating to the employment of or service relationship with labour including, without limitation, provisions thereof relating to wages, hours, equal opportunity, collective bargaining, wrongful discharge, workplace safety, discrimination, immigration and the payment of taxes and social charges;
- (b) no industrial dispute or other labour or employment related proceedings have been filed or notified against any member of the SKM Group or, to the best of the knowledge of the SKM Parties, threatened, relating to labour, employment or service provider matters;

- (c) except as disclosed pursuant to paragraph (f) below, no member of the SKM Group is a party to or in negotiation for any contract with any union, works council, labour organisation, labour relations tribunal or authority, employee group or similar entity which affects the employment of employees of, or the service relationship with, any member of the SKM Group, including, but not limited to, any collective bargaining agreements, labour contracts, or works council agreements;

d) Except as disclosed pursuant to paragraph (f) below:

- (1) to the best of the knowledge of the SKM Parties, none of the employees of any member of the SKM Group are in the process of being organised by or into labour organisations, trade unions or associations, works councils or any other employee representative bodies;
- (2) no member of the SKM Group has agreed to recognise any union or other collective bargaining unit, and no union or collective bargaining unit has been certified as representing any of the employees of any member of the SKM Group; and
- (3) no member of the SKM Group has been subject to a strike, involuntary slowdown or other involuntary work stoppage during the three year period immediately preceding the date hereof and, to the best of the knowledge of the SKM Parties, there are no such strikes, slow-downs or work stoppages threatened against any member of the SKM Group.
- (4) workplace determinations;
- (5) individual flexibility arrangements; and
- (6) guarantees of annual earnings

- (e) Section 27.1(e) of the Disclosure Letter contains details of all: (1) agreement or award based transitional instruments; (2) Fair Work Australia approved enterprise agreements; (3) modern awards;

within the meaning of the Australian Fair Work Act 2009 and similar applicable Laws in other jurisdictions and associated regulations to which any member of the SKM Group is a party and/or which apply to the SKM Group.

- (f) None of the employees of any member of the SKM Group has made a worker's compensation claim or is on a medical leave which will materially affect their ability to perform their normal duties as employees in the business of any member of the SKM Group or that otherwise will result in any material liability to any member of the SKM Group in the aggregate.
- (g) To the best of the knowledge of the SKM Parties, each employee of the SKM Group has all necessary licenses and permits required by any Government Agency to allow such person to perform the duties currently assigned to him or her.

27.2 Any terminations of employment prior to Implementation have been made in compliance with applicable Law.

28. Benefit Plans.

28.1 There is not and has not been since 1 January 2009 any bonus, incentive or deferred compensation, pension, superannuation, defined benefits, retirement, profit-sharing, savings, employment, consulting, compensation, stock purchase, stock option, phantom stock or other equity-based compensation, severance pay, termination, change-in-control, retention, salary continuation, vacation, sick leave, disability, death benefit, group insurance, hospitalisation, medical, dental, health insurance, life, loan, educational assistance, or other fringe benefit plans, programs, agreements and arrangements (each, a **Plan**) maintained by any member of the SKM Group for the benefit of any employee or former employee of any member of the SKM Group, other than any such Plan that has been established, maintained and operated solely in accordance with its

terms and applicable legal and contractual requirements. Section 28.1 of the Disclosure Letter lists each Plan, true, correct and complete copies of the documents setting out all of the terms and benefits in respect of which have

been made available to Jacobs in the Disclosure Materials at folder 04.14 of the Data Site.

- 28.2** Since 1 January 2009, the SKM Group has paid the full amount of its superannuation commitment required to be paid under the *Superannuation Guarantee (Administration Act) 1992* (Cth) for every employee of the SKM Group for the period up to Implementation. Since the Locked Box Date, there has been no modification, amendment, or other circumstance other than as required by law that increased benefits under any Plan or will result in a significant increase in the cost of maintaining or funding any Plan.
- 28.3** Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby, either alone or in connection with any other event, will entitle any current or former employee of any member of the SKM Group to any payment or result in any payment becoming due, increase the amount of any compensation due, or result in the acceleration of the time of any payment due to any such person.
- 28.4** With respect to each Plan for which a separate fund of assets is or is required to be maintained, full and timely payment has been made of all amounts required of any member of the SKM Group, under the terms of each such Plan or applicable legal requirements (determined without regard to any waiver of legally applicable funding requirements), and any contractual commitment, as applied through the Implementation Date. The fair market value of the assets of each such Plan equals or exceeds the present value of all benefits liabilities under that Plan. Each Plan may be amended or terminated (including with respect to benefits provided to retirees and other former employees) without liability at any time after Implementation. There is no material obligation for health, life insurance, or other welfare benefits following termination of employment under any Plan.
- 28.5** All employer and employee contributions to each Plan required by applicable legal requirements or by the terms of such Plan or pursuant to any contractual obligation (including contributions to all mandatory provident fund schemes) have been made or, if applicable, accrued on the Locked Box Date Accounts in accordance with Accounting Standards in the applicable jurisdiction applied to such matter. Each Plan required to be registered has been registered and has been maintained in good standing with the applicable Government Agency. Each member of the SKM Group and to the best of the knowledge of the SKM

Parties, each person or entity that has an obligation under a Plan has timely performed each of its obligations with respect to each Plan.

28.6 There are six participants in the Emergency Services and State Super Scheme in respect of the SKM Group.

29. Intellectual Property.

29.1 Section 29.1 of the Disclosure Letter lists all of the following Intellectual Property that is owned, licensed or used by the SKM Group: (i) all patents, all pending applications relating to any inventions or designs and all renewals, reissues, divisionals, continuations, continuations-in-part and extensions of the foregoing; (ii) all registered trademarks, registered service marks and trademark and service mark applications; (iii) all registered copyrights and copyright applications and all renewals and extensions; and (iv) all domain name registrations (items referenced in clauses (i) through (iv) are referred to collectively as the **Registered Intellectual Property**). To the best of the knowledge of the SKM Parties, all Registered Intellectual Property (excluding pending applications) are valid, subsisting, and enforceable.

29.2 Section 29.2 of the Disclosure Letter lists: (i) all out-licenses; and (ii) all in-licenses (excluding shrink-wrap, click-wrap, click-through or other similar internal end use licenses with respect to off-the-shelf or generally available personal computer software), under

which any member of the SKM Group is entitled to receive, or obligated to pay, as the case may be, fees (including support and maintenance fees) of more than \$500,000 per annum following the Implementation Date.

29.3 SKMM, SKMH or another member of the SKM Group owns or has a valid and enforceable right to use all material Intellectual Property needed to conduct the Business as currently conducted. All Owned Intellectual Property is owned exclusively by SKMM, SKMH or another member of the SKM Group free and clear of all Encumbrances. All renewal, application and other fees required for the maintenance and prosecution of the Registered Intellectual Property prior to Implementation have been paid.

29.4 There are no filed or notified proceedings or, to the best of the knowledge of the SKM Parties, written threats of proceedings (including offers to license) or claims:

- (a) by any person against any member of the SKM Group relating to the use by any member of the SKM Group of any Intellectual Property, challenging the ownership of or rights to the same, or alleging that any member of the SKM Group or any of their products or services infringe or misappropriate any Intellectual Property rights of such person; or
- (b) asserted by any member of the SKM Group against any person relating to any Intellectual Property; and
- (c) to the best of the knowledge of the SKM Parties, during the last three (3) years, there have been no infringing uses by third parties of the Owned Intellectual Property.

29.5 To the best of the knowledge of the SKM Parties, since 1 January 2009, no member of the SKM Group has interfered in, infringed upon, misappropriated, violated or otherwise come into conflict with any Intellectual Property rights of any third party, and no member of the SKM Group has received any written charge, complaint, claim or notice (including an offer to license) alleging any such interference, infringement, misappropriation or violation.

29.6 Since 1 January 2009, the members of the SKM Group have adopted commercially reasonable practices to protect their Intellectual Property and other confidential information. To the best of the knowledge of the SKM Parties, no person has taken, or omitted to take, any action that has resulted in the loss of protection of any trade secret or any confidential information of a member of the SKM Group.

30. Owned Real Property.

Since 1 January 2009, no member of the SKM Group has owned any real property.

31. Leased Real Estate.

Section 31 of the Disclosure Letter lists each Real Property Lease. Each Real Property Lease is in full force and effect against, and is the valid and legally binding obligation of, the member of the SKM Group party thereto and, to the best of the knowledge of the SKM Parties, each other party thereto. The SKM Parties have made available to Jacobs in the Disclosure Materials at folders 09.03 and 09.05 of the Data Site a true, correct and complete copy of each Real Property Lease, and except as set forth in Section 31 of the Disclosure Letter, no member of the SKM Group is negotiating any new contract, sub- contract, agreement or arrangement for the lease of real property or any material amendment to a Real Property Lease. Each of the Real Property Leases represents the entire agreement between SKMM, SKMH or other member of the SKM Group as applicable, and the applicable landlord. So far as the SKM Parties are aware, no Real Property Lease has, since 1 January 2009, been terminated or cancelled other than on the terms of the Real Property Lease, and no leasehold interest of any member of the SKM Group in any Real Property Lease has been assigned or encumbered, and each is free and clear of all Encumbrances. No member of the SKM Group and, to the best of the knowledge of the SKM Parties, no other party to a Real Property Lease is in default under such Real Property Lease, and no notice of default under such Real Property

Lease has been sent or received by any member of the SKM Group. No condition exists which, but for the giving of notice or the passage of time, or both, would constitute a default by any member of the SKM Group or, to the best of the knowledge of the SKM Parties, any other party pursuant to any Real Property Lease. No SKM Party has received written notice of any proceeding or order against any member of the SKM Group or, to the best of the knowledge of the SKM Parties, any other party which would require the repair, alteration or correction of any existing condition of any portion of any Leased Real Estate. Except as set forth in Section 31 of the Disclosure Letter, there are no licenses, occupancy agreements, options, rights, concessions or other agreements or arrangements, written or oral, granting to any person the right to use or occupy any of the Leased Real Estate. The current use and operation of the Leased Real Estate is in material compliance with all applicable zoning, building codes and other land use Laws imposed by any Government Agency regulating the use or occupancy of such Leased Real Estate or the activities conducted thereon, and all necessary permits and approvals required under any Law or by any Government Agency for the use and operation of the Leased Real Estate were obtained. No member of the SKM Group has received any written notice from any Government Agency that any of the improvements on the Leased Real Estate or the use of the Leased Real Estate violates any material use or occupancy restrictions, any covenant of record or any zoning or building legal requirement. The members of the SKM Group enjoy peaceful and quiet possession of all of the Leased Real Estate in accordance with the terms of the Real Property Lease and have not received any written notice from any landlord asserting the existence of a default under any such Real Property Lease and have not been informed in writing that the landlord under any such Real Property Lease has taken action or threatened to terminate such lease before the expiration date specified in such Real Property Lease.

32. Affiliate Transactions.

32.1 Save as set out in Section 32.1 of the Disclosure Letter, there are no material transactions, arrangements and other relationships between and/or among the members of the SKM Group, any of their respective directors, officers or employees.

32.2 No member of the SKM Group now has, or at any time in the last two (2) years has had, either directly or indirectly, a material interest in:

- (a) any person which furnishes or sells or during such period furnished or sold services or products to any member of the SKM Group or purchases or during such period purchased from any member of the SKM Group any goods or services, or otherwise does or during such period did business with any member of the SKM Group; or
- (b) any contract or commitment to which the members of the SKM Group are or during such period were a party or under which they are or were obligated or bound or to which any of their properties may be or may have been subject (excluding contracts and commitments related to ordinary course employment benefits and obligations).

33. Relations with Customers and Suppliers.

No Significant Supplier or Significant Customer of any member of the SKM Group has cancelled any contract since 1 January 2009, or has indicated to any member of the SKM Group an intention to cancel or not renew any contract that is renewable by its terms or to not exercise any option to extend any contract that contains an option to extend, and to the best of the knowledge of the SKM Parties, there has been no threat by any supplier not to provide products, supplies or services (including utilities) to any member of the SKM Group. No supplier has made any assignment of its accounts receivable due from any member of the SKM Group to a third party or made any other similar factoring arrangement .

34. Client List.

Section 34 of the Disclosure Letter contains a complete, up to date and accurate list of all material customers and clients of any member of the SKM Group since 1 January 2009 where the SKM Group has received fees in excess of \$2,000,000.

35. Personal Injury and Professional and Product Liability.

There are no (i) filed or notified or, to the best of the knowledge of the SKM Parties, threatened claims against any member of the SKM Group based on any personal injury, damage to property or professional or products liability resulting from any product manufactured or sold, services provided or work performed by any member of the SKM Group on or before Implementation, or (ii) filed or notified or, to the best of the knowledge of the SKM Parties, threatened claims against any member of the SKM Group based on any breach of any express or implied warranty given by any member of the SKM Group (if any), product recalls, or any similar claim resulting from any product manufactured or sold or services provided by any of them on or before Implementation.

36. Finders' Fees.

Except for the fees and expenses due to Greenhill & Co. Australia Pty Ltd, which will be paid by SKMH, no member of the SKM Group or any of their Related Persons has dealt with any agent, finder, broker or other representative in any manner which could result in Jacobs or any member of the SKM Group (after Implementation) being liable for any fee or commission in the nature of a finder's fee or originator's fee in connection with the subject matter of this Agreement or the transactions contemplated hereby.

37. Proceedings.

There is no material action, suit, litigation, prosecution, investigation, mediation, arbitration or legal or administrative proceeding: (i) filed or notified against any member of the SKM Group; (ii) threatened against any member of the SKM Group of which an SKM Party has received written notice; (iii) to the best of the knowledge of the SKM Parties, has been, threatened against any third party relating to the properties or assets of any member of the SKM Group; and/or (iv) to the best of the knowledge of the SKM Parties, relating to the business of the SKM Parties. There is no outstanding judgment, sanction, order, writ, injunction or decree of any court, Government Agency or arbitration tribunal against any member of the SKM Group or, to the best of the knowledge of the SKM Parties, against a third party affecting the properties, assets, personnel, business activities or employees of any member of the SKM Group.

38. Restrictions on Business Activities and Conflicts of Interest.

- 38.1** Save as provided in Section 38.1 of the Disclosure Letter, there is no agreement, arrangement, contract, judgment, injunction, order, sanction or decree binding on any member of the SKM Group that has the effect of prohibiting, restricting or materially impairing after the Implementation Date the business of the SKM Group, including, in each case, on the application of the terms of such agreement, arrangement, contract, judgment, injunction, order, sanction or decree.

38.2 No member of the SKM Group or any of their Related Persons has violated the terms of the Settlement Deed by and among Hamersley Iron Pty Limited, Technological Resources Pty Limited and Sinclair Knight Merz Pty Limited, dated as of 18 October 2011, relating to restrictions on performing work relating to autonomous technology or remote operating centres in the mining industry.

39. Transaction Costs.

The Historic Transaction Costs are complete and accurate, and the Transaction Costs Estimate has been prepared in good faith having first consulted with the relevant Advisers of the SKM Parties.

Executed in accordance with section 127 of the *Corporations Act 2001* by **Sinclair Knight Merz Management Pty. Limited** (for itself and in its capacity as attorney for the SKMM Sellers):

Director Signature

Director/Secretary Signature

Print Name

Print Name

Executed in accordance with section 127 of the *Corporations Act 2001* by **Sinclair Knight Merz Holdings Limited** (for itself and in its capacity as attorney for the SKMH Sellers):

Director Signature

Director/Secretary Signature

Print Name

Print Name

Signature Page to Sale Agreement

Executed in accordance with section 127 of the *Corporations Act 2001* by **Jacobs Australia Holdings Company Pty. Ltd.**
:

Director Signature

Director/Secretary Signature

Print Name

Print Name

Jacobs Engineering Group Inc. :

Officer Signature

Print Name

Print Title

Executed by **Gunninder Singh Katari** in the presence of:

Witness Signature

Signature

Print Name

Executed by **Geoff Rees** in the presence of:

Witness Signature

Signature

Print Name

Executed by **John Curran** in the presence of:

Witness Signature

Signature

Print Name

Executed and delivered as a Deed

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **Sinclair Knight Merz Management Pty. Limited** :

/S/ SANTO RIZZUTO
Director Signature

Santo Rizzuto
Print Name

/S/ PETER BROOKE SCOTT
Director/Secretary Signature

Peter Brooke Scott
Print Name

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **Sinclair Knight Merz Holdings Limited** :

/S/ SANTO RIZZUTO
Director Signature

Santo Rizzuto
Print Name

/S/ PETER BROOKE SCOTT
Director/Secretary Signature

Peter Brooke Scott
Print Name

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **Jacobs Australia Holdings Company Pty. Ltd.** :

/S/ THOMAS HAMMOND
Director Signature

Thomas R. Hammond
Print Name

/S/ MICHAEL UDOVIC
Director/Secretary Signature

Michael S. Udovic
Print Name

Executed as a deed by **Jacobs Engineering Group Inc.** :

/S/ THOMAS HAMMOND
Officer Signature

Thomas R. Hammond
Print Name

Executive Vice President
Print Title

Annexure 2

FORM OF SKMH DEED POLL

[See attached]

Deed Poll

Date	November 2013
By	
1.	Jacobs Engineering Group Inc. of 155 North Lake Avenue, Pasadena, CA 91101 USA (<i>Parent</i>).
2.	Jacobs Australia Holdings Company Pty. Ltd. (ACN 165 641 592) of Level 6, 600 St Kilda Road, Melbourne, VIC, 3004 (<i>BidCo</i>).
In favour of	
Recitals	Each SKMH Scheme Shareholder
A B C	<p>Parent and BidCo are party to the Merger Implementation Deed. Parent is the ultimate holding company of BidCo.</p> <p>SKMH and SKMM have agreed in the Merger Implementation Deed to propose the Schemes, pursuant to which, subject to the satisfaction or waiver of certain conditions, BidCo will acquire:</p> <p>(a) all of the SKMH Scheme Shares from the SKMH Scheme Shareholders for the SKMH Scheme Consideration; and</p>
D	<p>(b) all of the SKMM Scheme Shares from the SKMM Scheme Shareholders for the SKMM Scheme Consideration.</p> <p>In accordance with the Merger Implementation Deed, each of Parent and BidCo is entering into this Deed Poll for the purpose of covenanting in favour of the SKMH Scheme Shareholders that it will observe and perform the obligations required to be performed by it under the SKMH Scheme, and (in the case of Parent) that it will procure that BidCo observes and performs the obligations required to be performed by BidCo under the SKMH Scheme.</p>
E	Parent and BidCo are separately entering into a deed poll (in substantially the same form as this Deed Poll) in favour of the SKMM Scheme Shareholders in respect of obligations under the SKMM Scheme.

It is declared as follows.

1. Definitions and Interpretation

1.1 Definitions

The following words have these meanings in this Deed Poll:

Business Day means a day on which banks are open for business in Sydney, Melbourne and Los Angeles, excluding a Saturday, Sunday or a day which is a public holiday in Sydney, Melbourne or Los Angeles.

Court has the meaning given in the Schemes.

Corporations Act means the *Corporations Act 2001* (Cth).

Effective means, in relation to each of the Schemes, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to that Scheme.

Merger Implementation Deed means the deed of that name dated 8 September 2013 between Parent, BidCo, SKMM and SKMH.

Record Date has the meaning given in the Schemes. **Schemes** means the SKMH Scheme and the SKMM Scheme.

Second Court Date has the meaning given in the Schemes.

SKMH means Sinclair Knight Merz Holdings Limited (ACN 001 024 102).

SKMH Ordinary Share means a fully paid Ordinary Share in the capital of SKMH, having the rights, powers, privileges and restrictions set out in the constitution of SKMH.

SKMH Scheme means the scheme of arrangement between SKMH and the SKMH Scheme Shareholders pursuant to section 411 of the Corporations Act, a copy of which is attached to this Deed Poll as Annexure A.

SKMH Scheme Consideration has the meaning given to 'Scheme Consideration' in the SKMH Scheme.

SKMH Scheme Share means a SKMH Ordinary Share held by a SKMH Scheme Shareholder.

SKMH Scheme Shareholder means each SKMH Shareholder as at the Record Date.

SKMH Shareholder means each person who is registered as a holder of SKMH Ordinary Shares in SKMH's register of members.

SKMM means Sinclair Knight Merz Management Pty Ltd (ACN 087 978 970).

SKMM RVPS means a Redeemable Voting Preference Share in the capital of SKMM, having the rights, powers, privileges and restrictions set out in the constitution of SKMM.

SKMM Scheme has the meaning given to it in the SKMH Scheme.

SKMM Scheme Consideration has the meaning given to 'Scheme Consideration' in the SKMM Scheme.

SKMM Scheme Share means a SKMM RVPS held by a SKMM Scheme Shareholder.

SKMM Scheme Shareholder means each SKMM Shareholder as at the Record Date.

SKMM Shareholder means each person who is registered as a holder of SKMM RVPS in SKMM's register of members.

Sunset Date has the meaning given in the Merger Implementation Deed.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause is a reference to a clause of this Deed Poll.
- (f) A reference to an agreement or document (including a reference to this Deed Poll) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this Deed Poll or that other agreement or document.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to legislation or to a provision of legislation includes a modification or re enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to \$ is to the lawful currency of Australia.
- (j) A reference to time is a reference to time in Sydney, Australia.
- (k) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.
- (l) The meaning of general words is not limited by specific examples introduced by **including** , or **for example** , or similar expressions.
- (m) Words and phrases not specifically defined in this Deed Poll have the same meanings (if any) given to them in the Corporations Act.

2. Nature of Deed Poll

Each of Parent and BidCo acknowledges that:

- (a) this Deed Poll may be relied on and enforced by any SKMH Scheme Shareholder in accordance with its terms, even though the SKMH Scheme Shareholders are not party to it; and
- (b) under the SKMH Scheme each of the SKMH Scheme Shareholders appoints SKMH as its agent and attorney to enforce this Deed Poll against Parent or BidCo (as applicable) on behalf of that SKMH Scheme Shareholder.

3. Conditions Precedent and Termination

3.1 Conditions precedent

Each of Parent's and BidCo's obligations (as relevant) under this Deed Poll are subject to both of the Schemes becoming Effective.

3.2 Termination

If the Merger Implementation Deed is terminated before both of the Schemes become Effective, or both of the Schemes do not become Effective on or before the Sunset Date, the obligations of Parent and BidCo under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect, unless SKMM, SKMH, Parent and BidCo otherwise agree.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) each of Parent and BidCo is released from its obligations under this Deed Poll, except those obligations under clause 8.6; and
- (b) each SKMH Scheme Shareholder retains any rights, powers or remedies that SKMH Scheme Shareholder has against Parent or BidCo in respect of any breach of its obligations under this Deed Poll that occurred before termination of this Deed Poll.

4. Compliance with Scheme Obligations

Subject to clause 3, in consideration for the transfer to BidCo of the SKMH Scheme Shares in accordance with the SKMH Scheme:

- (a) Parent covenants in favour of each SKMH Scheme Shareholder that:
 - (i) it will observe and perform all obligations required to be performed by it under the SKMH Scheme, including paying or procuring that the Scheme Consideration is paid in accordance with the clause 5(a) of the Scheme; and

- (ii) it will procure that BidCo observes and performs all obligations required to be performed by BidCo under the SKMH Scheme; and
 - (b) BidCo covenants in favour of each SKMH Scheme Shareholder that it will observe and perform all obligations required to be performed by it under the SKMH Scheme,
- including in each case:
- (i) the relevant obligations relating to the provision of the SKMH Scheme
Consideration in accordance with the terms of the SKMH Scheme;
 - (ii) the entry by BidCo into the Sale Agreement and performance by it of all obligations required to be performed by it under that deed.

5. Representations and Warranties

Each of Parent and BidCo makes the following representations and warranties.

- (a) (**Status**) It is a corporation validly existing under the laws of the place of its incorporation.
- (b) (**Power**) It has the power to enter into and perform its obligations under this Deed Poll and to carry out the transactions required by this Deed Poll.
- (c) (**Corporate authorisations**) It has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions required by this Deed Poll.
- (d) (**Document binding**) This Deed Poll is its valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping and registration.
- (e) (**Transactions permitted**) The execution and performance by it of this Deed Poll and each transaction required by this Deed Poll did not and will not violate in any respect a provision of:
 - (i) a law, judgment, ruling, order or decree binding on it; or
 - (ii) its constitution or other constituent documents.

6. Continuing Obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) each of Parent and BidCo having fully performed its obligations under this Deed Poll; and
- (b) termination of this Deed Poll under clause 3.

7. Further Assurances

Each of Parent and BidCo will, on its own behalf and, to the extent authorised by the SKMH Scheme, on behalf of each SKMH Scheme Shareholder, do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions required by it.

8. General

8.1 Notices

Any notice, demand, consent or other communication (a **Notice**) given or made to Parent or BidCo under or in connection with this Deed Poll:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to Parent or BidCo (as the case may be) by pre-paid post (if posted to an address in another country, by registered airmail) or by hand or fax to the address or fax number below or the address or fax number last requested by Parent in writing:

Jacobs Engineering Group Inc.

155 North Lake Avenue Pasadena, CA 91101 USA Attention: Michael Udovic
Fax No: +1 626 578 3511; and

- (c) will be taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country); and
 - (iii) in the case of fax, on receipt by the sender of a transmission control report from the dispatching machine showing the relevant number of pages and the correct destination fax machine number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 4pm (local time) it will be taken to have been duly given or made at the commencement of business on the next business day in that place.

8.2 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by any of Parent and BidCo or by any SKMH Scheme Shareholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or

remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

8.3 Remedies cumulative

The rights, powers and remedies of each of Parent and BidCo and of each SKMH Scheme Shareholder under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

8.4 Amendment

No amendment or variation of this Deed Poll is valid or binding unless: (a) either:

- (i) before the Second Court Date, the amendment or variation is agreed to in writing by SKMH, Parent and BidCo (which such agreement may be given or withheld without reference to or approval by any SKMH Shareholder); or
- (ii) on or after the Second Court Date, the amendment or variation is agreed to in writing by SKMH, Parent and BidCo (which such agreement may be given or withheld without reference to or approval by any SKMH Shareholder), and is approved by the Court; and

- (b) Parent and BidCo enter into a further deed poll in favour of the SKMH Scheme Shareholders giving effect to that amendment or variation.

8.5 Assignment

The rights and obligations of each of Parent and BidCo and of each SKMH Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior consent of Parent, BidCo and SKMH.

8.6 Costs and duty

Parent and BidCo must bear their own costs arising out of the negotiation, preparation and execution of this Deed Poll. All duty (including stamp duty and any fines, penalties and interest) payable on or in connection with this Deed Poll and any instrument executed under or any transaction evidenced by this Deed Poll must be borne by BidCo. BidCo must indemnify each SKMH Scheme Shareholder on demand against any liability for that duty (including any related fines, penalties and interest).

8.7 Governing law and jurisdiction

This Deed Poll is governed by the laws of New South Wales. Each of Parent and BidCo submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Deed Poll.

Executed and delivered as a Deed

Executed as a deed by **Jacobs Engineering Group Inc. :**

Officer Signature

Print Name

Print Title

Executed as a deed in accordance with section 127 of the Corporations Act 2001 by **Jacobs Australia Holdings Company Pty. Ltd.:**

Director Signature

Director/Secretary Signature

Print Name

Print Name

Annexure A SKMH Scheme

Annexure 3

FORM OF SKMM DEED POLL

[See attached]

Deed Poll

Date	November 2013
By	
1.	Jacobs Engineering Group Inc. of 155 North Lake Avenue, Pasadena, CA 91101 USA (Parent).
2.	Jacobs Australia Holdings Company Pty. Ltd. (ACN 165 641 592) of Level 6, 600 St Kilda Road, Melbourne, VIC, 3004 (BidCo).
In favour of	
Recitals	Each SKMM Scheme Shareholder
A B C	<p>Parent and BidCo are party to the Merger Implementation Deed. Parent is the ultimate holding company of BidCo.</p> <p>SKMH and SKMM have agreed in the Merger Implementation Deed to propose the Schemes, pursuant to which, subject to the satisfaction or waiver of certain conditions, BidCo will acquire:</p> <p>(a) all of the SKMH Scheme Shares from the SKMH Scheme Shareholders for the SKMH Scheme Consideration; and</p> <p>(b) all of the SKMM Scheme Shares from the SKMM Scheme Shareholders for the SKMM Scheme Consideration.</p> <p>In accordance with the Merger Implementation Deed, each of Parent and BidCo is entering into this Deed Poll for the purpose of covenanting in favour of the SKMM Scheme Shareholders that it will observe and perform the obligations required to be performed by it under the SKMM Scheme, and (in the case of Parent) that it will procure that BidCo observes and performs the obligations required to be performed by BidCo under the SKMM Scheme.</p>
E	Parent and BidCo are separately entering into a deed poll (in substantially the same form as this Deed Poll) in favour of the SKMH Scheme Shareholders in respect of obligations under the SKMH Scheme.

It is declared as follows.

1. Definitions and Interpretation

1.1 Definitions

The following words have these meanings in this Deed Poll:

Business Day means a day on which banks are open for business in Sydney, Melbourne and Los Angeles, excluding a Saturday, Sunday or a day which is a public holiday in Sydney, Melbourne or Los Angeles.

Court has the meaning given in the Schemes.

Corporations Act means the *Corporations Act 2001* (Cth).

Effective means, in relation to each of the Schemes, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to that Scheme.

Merger Implementation Deed means the deed of that name dated 8 September 2013 between Parent, BidCo, SKMM and SKMH.

Record Date has the meaning given in the Schemes. **Schemes** means the SKMH Scheme and the SKMM Scheme.

Second Court Date has the meaning given in the Schemes.

SKMH means Sinclair Knight Merz Holdings Limited (ACN 001 024 102).

SKMH Ordinary Share means a fully paid Ordinary Share in the capital of SKMH, having the rights, powers, privileges and restrictions set out in the constitution of SKMH.

SKMH Scheme has the meaning given to it in the SKMM Scheme.

SKMH Scheme Consideration has the meaning given to 'Scheme Consideration' in the SKMH Scheme.

SKMH Scheme Share means a SKMH Ordinary Share held by a SKMH Scheme Shareholder.

SKMH Scheme Shareholder means each SKMH Shareholder as at the Record Date.

SKMH Shareholder means each person who is registered as a holder of SKMH Ordinary Shares in SKMH's register of members.

SKMM means Sinclair Knight Merz Management Pty Ltd (ACN 087 978 970).

SKMM RVPS means a Redeemable Voting Preference Share in the capital of SKMM, having the rights, powers, privileges and restrictions set out in the constitution of SKMM.

SKMM Scheme means the scheme of arrangement between SKMM and the SKMM Scheme Shareholders pursuant to section 411 of the Corporations Act, a copy of which is attached to this Deed Poll as Annexure A.

SKMM Scheme Consideration has the meaning given to 'Scheme Consideration' in the SKMM Scheme.

SKMM Scheme Share means a SKMM RVPS held by a SKMM Scheme Shareholder.

SKMM Scheme Shareholder means each SKMM Shareholder as at the Record Date.

SKMM Shareholder means each person who is registered as a holder of SKMM RVPS in SKMM's register of members.

Sunset Date has the meaning given in the Merger Implementation Deed.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely. (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause is a reference to a clause of this Deed Poll.
- (f) A reference to an agreement or document (including a reference to this Deed Poll) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this Deed Poll or that other agreement or document.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to legislation or to a provision of legislation includes a modification or re enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to \$ is to the lawful currency of Australia.
- (j) A reference to time is a reference to time in Sydney, Australia.
- (k) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.
- (l) The meaning of general words is not limited by specific examples introduced by **including** , or **for example** , or similar expressions.
- (m) Words and phrases not specifically defined in this Deed Poll have the same meanings (if any) given to them in the Corporations Act.

2. Nature of Deed Poll

Each of Parent and BidCo acknowledges that:

- (a) this Deed Poll may be relied on and enforced by any SKMM Scheme Shareholder in accordance with its terms, even though the SKMM Scheme Shareholders are not party to it; and
- (b) under the SKMM Scheme each of the SKMM Scheme Shareholders appoints SKMM as its agent and attorney to enforce this Deed Poll against Parent or BidCo (as applicable) on behalf of that SKMM Scheme Shareholder.

3. Conditions Precedent and Termination

3.1 Conditions precedent

Each of Parent's and BidCo's obligations (as relevant) under this Deed Poll are subject to both of the Schemes becoming Effective.

3.2 Termination

If the Merger Implementation Deed is terminated before both of the Schemes become Effective, or both of the Schemes do not become Effective on or before the Sunset Date, the obligations of Parent and BidCo under this Deed Poll will automatically terminate and the terms of this Deed Poll will be of no further force or effect, unless SKMM, SKMH, Parent and BidCo otherwise agree.

3.3 Consequences of termination

If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) each of Parent and BidCo is released from its obligations under this Deed Poll, except those obligations under clause 8.6; and
- (b) each SKMM Scheme Shareholder retains any rights, powers or remedies that SKMM Scheme Shareholder has against Parent or BidCo in respect of any breach of its obligations under this Deed Poll that occurred before termination of this Deed Poll.

4. Compliance with Scheme Obligations

Subject to clause 3, in consideration for the transfer to BidCo of the SKMM Scheme Shares in accordance with the SKMM Scheme:

- (a) Parent covenants in favour of each SKMM Scheme Shareholder that:
 - (i) it will observe and perform all obligations required to be performed by it under the SKMM Scheme, including paying or procuring that the Scheme Consideration is paid in accordance with the clause 5(a) of the Scheme; and

- (ii) it will procure that BidCo observes and performs all obligations required to be performed by BidCo under the SKMM Scheme; and
 - (b) BidCo covenants in favour of each SKMM Scheme Shareholder that it will observe and perform all obligations required to be performed by it under the SKMM Scheme,
- including in each case:
- (i) the relevant obligations relating to the provision of the SKMM Scheme
Consideration in accordance with the terms of the SKMM Scheme;
 - (ii) the entry by BidCo into the Sale Agreement and performance by it of all obligations required to be performed by it under that deed.

5. Representations and Warranties

Each of Parent and BidCo makes the following representations and warranties.

- (a) (**Status**) It is a corporation validly existing under the laws of the place of its incorporation.
- (b) (**Power**) It has the power to enter into and perform its obligations under this Deed Poll and to carry out the transactions required by this Deed Poll.
- (c) (**Corporate authorisations**) It has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions required by this Deed Poll.
- (d) (**Document binding**) This Deed Poll is its valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping and registration.
- (e) (**Transactions permitted**) The execution and performance by it of this Deed Poll and each transaction required by this Deed Poll did not and will not violate in any respect a provision of:
 - (i) a law, judgment, ruling, order or decree binding on it; or
 - (ii) its constitution or other constituent documents.

6. Continuing Obligations

This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) each of Parent and BidCo having fully performed its obligations under this Deed Poll; and
- (b) termination of this Deed Poll under clause 3.

7. Further Assurances

Each of Parent and BidCo will, on its own behalf and, to the extent authorised by the SKMM Scheme, on behalf of each SKMM Scheme Shareholder, do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this Deed Poll and the transactions required by it.

8. General

8.1 Notices

Any notice, demand, consent or other communication (a **Notice**) given or made to Parent or BidCo under or in connection with this Deed Poll:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to Parent or BidCo (as the case may be) by pre-paid post (if posted to an address in another country, by registered airmail) or by hand or fax to the address or fax number below or the address or fax number last requested by Parent in writing:

Jacobs Engineering Group Inc.

155 North Lake Avenue Pasadena, CA 91101 USA Attention: Michael Udovic

Fax No: +1 626 578 3511; and

- (c) will be taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country) or seven Business Days after the date of posting (if posted to an address in another country); and
 - (iii) in the case of fax, on receipt by the sender of a transmission control report from the dispatching machine showing the relevant number of pages and the correct destination fax machine number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 4pm (local time) it will be taken to have been duly given or made at the commencement of business on the next business day in that place.

8.2 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by any of Parent and BidCo or by any SKMM Scheme Shareholder operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or

remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the person granting that waiver unless made in writing.

8.3 Remedies cumulative

The rights, powers and remedies of each of Parent and BidCo and of each SKMM Scheme Shareholder under this Deed Poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

8.4 Amendment

No amendment or variation of this Deed Poll is valid or binding unless:

- (a) either:
 - (i) before the Second Court Date, the amendment or variation is agreed to in writing by SKMM, Parent and BidCo (which such agreement may be given or withheld without reference to or approval by any SKMM Shareholder); or
 - (ii) on or after the Second Court Date, the amendment or variation is agreed to in writing by SKMM, Parent and BidCo (which such agreement may be given or withheld without reference to or approval by any SKMM Shareholder), and is approved by the Court; and
- (b) Parent and BidCo enter into a further deed poll in favour of the SKMM Scheme Shareholders giving effect to that amendment or variation.

8.5 Assignment

The rights and obligations of each of Parent and BidCo and of each SKMM Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, encumbered or otherwise dealt with and no person may attempt, or purport, to do so without the prior consent of Parent, BidCo and SKMM.

8.6 Costs and duty

Parent and BidCo must bear their own costs arising out of the negotiation, preparation and execution of this Deed Poll. All duty (including stamp duty and any fines, penalties and interest) payable on or in connection with this Deed Poll and any instrument executed under or any transaction evidenced by this Deed Poll must be borne by BidCo. BidCo must indemnify each SKMM Scheme Shareholder on demand against any liability for that duty (including any related fines, penalties and interest).

8.7 Governing law and jurisdiction

This Deed Poll is governed by the laws of New South Wales. Each of Parent and BidCo submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this Deed Poll.

Executed and delivered as a Deed

Executed as a deed by **Jacobs Engineering Group Inc. :**

Officer Signature

Print Name

Print Title

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **Jacobs Australia Holdings Company Pty. Ltd. :**

Director Signature

Director/Secretary Signature

Print Name

Print Name

Annexure A

SKMM Scheme

Annexure 5

FORM OF SKMH SCHEME

[See attached]

Scheme of Arrangement

Pursuant to section 411 of the *Corporations Act 2001*

between:

1. **Sinclair Knight Merz Holdings Limited** (ACN 001 024 102) of 100 Christie Street, St Leonards NSW 2065, Australia (**SKMH**)

and

2. **The holders of Ordinary Shares in SKMH as at the Record Date .**

Recitals

- A SKMH is a public company limited by shares incorporated in Australia.
- B Jacobs is a corporation organised under the General Corporations Law of Delaware.
- C BidCo is a proprietary company incorporated in Australia and registered in Victoria.
- D SKMH, SKMM Jacobs and BidCo have entered into the Merger Implementation Deed, pursuant to which, amongst other things:
 - (a) SKMM has agreed to propose the SKMM Scheme to SKMM Shareholders;
and
 - (b) SKMH has agreed to propose this Scheme to SKMH Shareholders,and each of SKMM, SKMH, Jacobs and BidCo has agreed to take certain steps to give effect to those schemes.
- E If this Scheme becomes Effective, then:
 - (a) all of the Scheme Shares will be transferred to BidCo and the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the terms of this Scheme and the Sale Agreement;
and
 - (b) subject to payment of stamp duty on the instruments of transfer, SKMH will enter the name and address of BidCo in the Register as the holder of the Scheme Shares.
- F Each of Jacobs and BidCo has entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that it will observe and perform the obligations contemplated of it under this Scheme, and (in the case of Jacobs) that it will procure that BidCo performs the obligations contemplated of it under this Scheme.

It is agreed as follows.

1 Definitions and Interpretation

1.1 Definitions

Additional Scheme Consideration means \$120,000,000.

ASIC means the Australian Securities and Investments Commission.

BidCo means Jacobs Australia Holdings Company Pty. Ltd. (ACN 165 641 592) of Level 6, 600 St Kilda Road, Melbourne VIC 3000.

Business Day means a day on which banks are open for business in Sydney, Melbourne and Los Angeles excluding a Saturday, Sunday or a day which is a public holiday in Sydney, Melbourne or Los Angeles.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by SKMM, SKMH and BidCo.

Deed Poll means the deed poll dated [•] executed by Jacobs and BidCo in favour of the Scheme Shareholders.

Encumbrance means:

- (a) any interest or power reserved in or over any interest in any asset including, but not limited to, any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of, or having similar commercial effect to, security for payment of a debt, any other monetary obligation or the performance of any other obligation, or any trust or any retention of title and includes, but is not limited to, any agreement to grant or create any of the above.

Effective means, when used in relation to this Scheme or the SKMM Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to those Schemes.

Effective Date means the date on which this Scheme becomes Effective.

Escrow Account has the meaning given in the Sale Agreement. **Escrow Agent** has the meaning given in the Sale Agreement. **Escrow Deed** has the meaning given in the Sale Agreement.

Implementation Date means the date on which this Scheme is implemented which shall be the Second Court Date or if not reasonably practicable then the first Business Day after the Second Court Date, or such other date as may be agreed between BidCo, SKMM and SKMH.

Initial Scheme Consideration has the meaning given to 'SKMH Initial Scheme Consideration' in the Sale Agreement.

Jacobs means Jacobs Engineering Group Inc. of 155 North Lake Avenue, Pasadena, CA 91101 USA.

Jacobs Group means Jacobs and each entity under its control, including, after the Implementation Date, the SKM Group.

Merger Implementation Deed means the deed of that name dated 8 September 2013 between Jacobs, BidCo, SKMM and SKMH.

Ordinary Share means a fully paid Ordinary Share in the capital of SKMH, having the rights, powers, privileges and restrictions set out in the constitution of SKMH.

Proportionate Share means in respect of a Scheme Shareholder, the number of Scheme Shares held by that Scheme Shareholder as a proportion of the aggregate number of Scheme Shares.

Record Date means the Business Day before the Effective Date or such other date as BidCo, SKMM and SKMH agree.

Register means the register of members of SKMH.

Registered Address means in relation to a SKMH Shareholder, the address shown in the Register for that SKMH Shareholder.

Rights has the meaning given in the Sale Agreement.

Sale Agreement means the agreement so entitled attached to this Scheme as the Annexure.

Scheme Consideration means the consideration to be provided by BidCo to each Scheme Shareholder in consideration for the transfer to BidCo of each Scheme Share, as set out in this Scheme, being the Initial Scheme Consideration and, subject to the terms of the Sale Deed, the Additional Scheme Consideration.

Scheme Meeting means the meeting of SKMH Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Share means an Ordinary Share held by a Scheme Shareholder.

Scheme Shareholder means each SKMH Shareholder as at the Record Date.

Scheme Transfer means for each Scheme Shareholder, a duly completed and executed proper instrument of transfer of the Scheme Shareholder's Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard.

Sellers' Representatives has the meaning given in the Sale Agreement.

Sellers' Representative Costs Account has the meaning given in the Sale Agreement.

Sellers' Representative Costs Amount has the meaning given in the Sale Agreement.

SKM Group means SKMM, SKMH and each of their direct and indirect subsidiaries and other controlled entities.

SKM Group Shareholding Plan means the employee shareholding plan of the SKM Group pursuant to which the rights of the SKMH Shareholders and the SKMM Shareholders are governed.

SKMH Registry means Computershare Investor Services Pty Ltd (ABN 48 078 279 277).

SKMH Scheme or **this Scheme** means this scheme of arrangement between SKMH and the Scheme Shareholders pursuant to section 411 of the Corporations Act.

SKMH Shareholder means each person who is registered as a holder of Ordinary Shares in SKMH's register of members.

SKMM means Sinclair Knight Merz Management Pty Limited (ACN 087 978 970).

SKMM RVPS means a Redeemable Voting Preference Share in the capital of SKMM, having the

rights, powers, privileges and restrictions set out in the constitution of SKMM.

SKMM Scheme means the scheme of arrangement between SKMM and SKMM Shareholders pursuant to section 411 of the Corporations Act, which it is proposed will become Effective on the same date as this Scheme.

SKMM Shareholder means each person who is registered as a holder of SKMM RVPS in SKMM's register of members.

Sunset Date has the meaning given in the Merger Implementation Deed. **Transaction Documents** has the meaning given in the Sale Agreement. **Trustee** means SKMH as trustee for the Scheme Shareholders.

Trust Account has the meaning given in clause 5(a)(ii).

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely. (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause is a reference to a clause of this document.
- (f) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to legislation or to a provision of legislation includes a modification or re enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to \$ is to the lawful currency of Australia.
- (j) A reference to time is a reference to time in Sydney, Australia.
- (k) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.
- (l) The meaning of general words is not limited by specific examples introduced by **including**, or **for example**, or similar expressions.
- (m) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.

2 Preliminary

2.1 SKMH

- (a) SKMH is a public company registered in New South Wales and is a company limited by shares. SKMH is not quoted on any financial market.
- (b) At the date the Merger Implementation Deed was varied, the following shares were on issue in the capital of SKMH:
 - (i) 100 Redeemable Voting Preference Shares, which are owned 100% legally and beneficially by SKMM; and
 - (ii) 1,257,360 Ordinary Shares.
- (c) There is no other:
 - (i) class of shares in the capital of SKMH; or
 - (ii) debt instruments that may convert into SKMH shares, and SKMH is not aware of any other rights on issue in respect of any SKMH shares.

2.2 Jacobs

- (a) Jacobs is a corporation organised under the General Corporations Law of Delaware.
- (b) BidCo is a proprietary company incorporated in Australia and registered in Victoria.

2.3 Consequences of this Scheme becoming Effective

If the Scheme becomes Effective:

- (a) BidCo will, in accordance with the terms of the Deed Poll, execute the Sale Agreement and will, among other things, comply with all of its payment obligations on the relevant date and other obligations on the terms set out in this Scheme and the Sale Agreement;
- (b) all Scheme Shareholders will be bound by the Sale Agreement upon execution of the Sale Agreement by BidCo and SKMH; and
- (c) subject to BidCo having complied with clause 5(a), on the Implementation Date all of the Scheme Shares will be transferred to BidCo and, subject to payment of stamp duty on the instruments of transfer, SKMH will enter the name of BidCo in the Register in respect of the Scheme Shares.

2.4 Merger Implementation Deed and Deed Poll

- (a) BidCo and SKMH have agreed by executing the Merger Implementation Deed to implement this Scheme.
- (b) Jacobs has agreed by executing the Deed Poll to procure BidCo to enter into the Sale Agreement, and to comply with the payment obligations to Scheme Shareholders in accordance with the terms of this Scheme and other obligations on the terms set out in the Scheme and the Sale Agreement.

3 Conditions

3.1 Conditions Precedent

- (a) This Scheme is conditional on the satisfaction of each of the following conditions precedent:

- (i) all conditions in clause 3.1 of the Merger Implementation Deed (other than the condition precedent relating to the approval of the Court set out in clause 3.1(d))

of the Merger Implementation Deed) having been satisfied or waived in accordance with the terms of the Merger Implementation Deed by 8:00am on the Second Court Date;

- (ii) as at 8:00am on the Second Court Date, the Merger Implementation Deed having not been terminated in accordance with its terms;
 - (iii) the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to BidCo and SKMH;
 - (iv) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to BidCo and SKMH have been satisfied; and
 - (v) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme come into effect, pursuant to section 411(10) of the Corporations Act.
- (b) The satisfaction of clause 3.1(a) is a condition precedent to the operation of clause 4.2.
- (c) This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the Sunset Date.
- (d) BidCo and SKMH will provide to the Court at the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not the conditions precedent in the Merger Implementation Deed and this Scheme have been satisfied or waived.

3.2 Condition Subsequent

This Scheme will cease to have any further force and effect unless, within five Business Days after the Effective Date for this Scheme (or prior), the SKMM Scheme becomes Effective.

4 Implementation

4.1 Lodgement of Court orders

SKMH will lodge with ASIC office copies of the Court orders under section 411 of the Corporations Act approving the Scheme by no later than 5.00pm on the first Business Day after the day such office copy is received (or such later date as agreed in writing by BidCo).

4.2 Transfer of Scheme Shares

Subject to BidCo having complied with clause 5(a), on the Implementation Date:

- (a) the Scheme Shares, together with all Rights attaching to the Scheme Shares as at the Implementation Date, will be transferred to BidCo, without the need for any further act by any Scheme Shareholder (other than acts performed by SKMH as attorney and agent for Scheme Shareholders under clause 7.5) by:
 - (i) SKMH delivering to BidCo the completed and executed Scheme Transfer; and
 - (ii) BidCo executing the Scheme Transfer and delivering it to SKMH or the SKMH Registry for registration;
- (b) as soon as practicable after receipt of the Scheme Transfer, subject to payment of stamp duty on the instruments of transfer, SKMH must enter, or must procure the entry of, the name of BidCo in the Register in respect of all of the Scheme Shares; and

- (c) SKMH as the attorney and agent for each of the Scheme Shareholders will execute the Sale Agreement and Scheme Transfer.

5 Scheme Consideration and Sellers' Representative Costs

- (a) On the Implementation Date, BidCo will (and Jacobs must procure that BidCo will) deposit in immediately available Australian dollar funds:
- (i) \$2,000,000 into the Sellers' Representative Costs Account (comprising \$500,000 funded by BidCo (or Jacobs) and \$1,500,000 funded out of the Initial Scheme Consideration proceeds);
 - (ii) the balance of the Initial Scheme Consideration into a trust account operated by the Trustee (**Trust Account**), to be held on trust for the Scheme Shareholders; and
 - (iii) the Additional Scheme Consideration into the Escrow Account. (b) Amounts in the:
 - (i) Escrow Account will be administered by the Escrow Agent in accordance with the terms of the Escrow Deed; and
 - (ii) Sellers' Representative Costs Account will be administered by the Sellers' Representatives in accordance with the terms of the Sale Agreement.
- (c) Subject to BidCo having complied with clause 5(a), as soon as practicable following implementation of this Scheme on the Implementation Date, the Trustee must pay (or procure the payment) from the Trust Account to each Scheme Shareholder that Scheme Shareholder's Proportionate Share of the Initial Scheme Consideration proceeds received pursuant to clause 5(a)(ii), less the Scheme Shareholder's Proportionate Share of any costs associated with payment by cheque or transfer pursuant to clause 5(d).
- (d) The Trustee must pay the amounts referred to in clause 5(c) by doing any of the following at its election:
- (i) sending the amounts payable to the Scheme Shareholders at their respective Registered Addresses by cheque in Australian currency drawn out of the Trust Account; or
 - (ii) depositing or procuring the SKMH Registry to deposit the amounts payable to the Scheme Shareholders into an account with any Australian ADI (as defined in the Corporations Act) notified to the Trustee (or the Trustee's agent who manages the Register) by an appropriate authority from the relevant Scheme Shareholder.
- (e) In the case of Scheme Shares held in joint names any Initial Scheme Consideration shall be payable to and be forwarded to the holder whose name appears first in the Register as at the Record Date.
- (f) If the number of Scheme Shares held by a Scheme Shareholder as at the Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration includes an entitlement to a fractional amount representing less than one cent, then the entitlement of that Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of cents, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of cents.

6 Dealings in Ordinary Shares

- (a) To establish the identity of the Scheme Shareholders, dealings in Ordinary Shares will only be recognised if:
 - (i) the transferee is registered in the Register as the holder of the relevant Ordinary Shares on the Record Date; and
 - (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the Register is kept.
- (b) SKMH must register registrable transmission applications or transfers of the kind referred to in clause 6(a)(ii) on the Record Date.
- (c) SKMH will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Ordinary Shares received after the Record Date.
- (d) For the purpose of determining entitlements to the Scheme Consideration, SKMH must maintain the Register in accordance with the provisions of this clause 6 until the Scheme Consideration has been paid to the Scheme Shareholder. The Register in this form will solely determine entitlements to the Scheme Consideration.
- (e) From the Record Date:
 - (i) all share certificates for Ordinary Shares will cease to have effect as documents of title in respect of those shares (other than share certificates in favour of any member of the Jacobs Group and its successors in title); and
 - (ii) each entry current at that date on the Register (other than entries in respect of any member of the Jacobs Group and its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Ordinary Shares relating to that entry.

7 General Scheme provisions

7.1 Consent

If the Court proposes to approve the Scheme subject to any alterations or conditions, SKMH may by its counsel consent on behalf of all persons concerned to those alterations or conditions for which BidCo has provided its prior written consent.

7.2 Agreement of Scheme Shareholders

Each Scheme Shareholder:

- (a) agrees to the transfer of its Ordinary Shares in accordance with this Scheme; and
- (b) acknowledges that the Scheme binds SKMH and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of SKMH.

7.3 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Jacobs and BidCo, and, to the extent enforceable, to have appointed and authorised SKMH as that Scheme Shareholder's agent and attorney to warrant to Jacobs and BidCo, that all of their Scheme Shares (including any Rights attaching to those Scheme Shares) will, at the time of the transfer of them to BidCo pursuant to the Scheme, be fully paid and free from all Encumbrances and other interests of third parties of

any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any Rights attaching to those Scheme Shares) to BidCo pursuant to the Scheme. SKMH undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Jacobs and BidCo on behalf of that Scheme Shareholder.

7.4 Beneficial entitlement to Scheme Shares

From the Implementation Date, BidCo will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by SKMH of BidCo in the Register as the holder of those shares.

7.5 Power of attorney

Each Scheme Shareholder, without the need for any further act, irrevocably appoints SKMH and all of its directors, secretaries and officers severally as its attorney and agent for the purpose of executing any document necessary to give effect to the Scheme, including without limitation:

- (a) the Scheme Transfer; (b) the Sale Agreement;
- (c) any instrument appointing BidCo as sole proxy or attorney for or, where applicable, corporate representative of each Scheme Shareholder as contemplated by the Sale Agreement; and
- (d) the appointment of the Sellers' Representatives (or any replacement Sellers' Representative) and/or BidCo as attorney for each Scheme Shareholder in accordance with the Sale Agreement.

7.6 Enforcement of Deed Poll

SKMH undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Jacobs and BidCo (as applicable) on behalf of and as agent and attorney for the Scheme Shareholders.

8 General

8.1 Stamp duty

- (a) Subject to clause 8.1(b), each of SKMH and BidCo will pay their share of the costs of the Scheme in accordance with the Transaction Documents.
- (b) BidCo will pay any stamp duty payable in connection with the transfer of the Scheme Shares to BidCo.

8.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to SKMH, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where the Register is kept.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Scheme Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.3 Governing law

- (a) This Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of the courts of New South Wales and courts competent to hear appeals from those courts.

8.4 Further action

SKMH will execute all documents and do all things necessary to implement and perform its obligations under this Scheme.

Annexure – Sale Agreement

Annexure 6

FORM OF SKMM SCHEME

[See attached]

Scheme of Arrangement

Pursuant to section 411 of the *Corporations Act 2001*

between:

1 **Sinclair Knight Merz Management Pty Limited** (ACN 087 978 970).of 100 Christie Street, St Leonards NSW 2065, Australia (**SKMM**)

and

2 **The holders of RVPS in SKMM as at the Record Date .**

Recitals

- A SKMM is a proprietary company limited by shares incorporated in Australia.
- B Jacobs is a corporation organised under the General Corporations Law of Delaware.
- C BidCo is a proprietary company incorporated in Australia and registered in Victoria.
- D SKMH, SKMM Jacobs and BidCo have entered into the Merger Implementation Deed, pursuant to which, amongst other things:
 - (a) SKMM has agreed to propose this Scheme to SKMM Shareholders; and
 - (b) SKMH has agreed to propose the SKMH Scheme to SKMH Shareholders,
 and each of SKMM, SKMH, Jacobs and BidCo has agreed to take certain steps to give effect to those schemes.
- E If this Scheme becomes Effective, then:
 - (a) all of the Scheme Shares will be transferred to BidCo and the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the terms of this Scheme and the Sale Agreement; and
 - (b) subject to payment of stamp duty on the instruments of transfer, SKMM will enter the name and address of BidCo in the Register as the holder of the Scheme Shares.
- F Each of Jacobs and BidCo has entered into the Deed Poll for the purpose of covenanting in favour of the Scheme Shareholders that it will observe and perform the obligations contemplated of it under this Scheme, and (in the case of Jacobs) that it will procure that BidCo performs the obligations contemplated of it under this Scheme.

It is agreed as follows.

1 Definitions and Interpretation

1.1 Definitions

ASIC means the Australian Securities and Investments Commission.

BidCo means Jacobs Australia Holdings Company Pty. Ltd. (ACN 165 641 592) of Level 6, 600 St Kilda Road, Melbourne VIC 3000.

Business Day means a day on which banks are open for business in Sydney, Melbourne and Los Angeles excluding a Saturday, Sunday or a day which is a public holiday in Sydney, Melbourne or Los Angeles.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by SKMM, SKMH and BidCo.

Deed Poll means the deed poll dated [•] executed by Jacobs and BidCo in favour of the Scheme Shareholders.

Encumbrance means:

- (a) any interest or power reserved in or over any interest in any asset including, but not limited to, any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of, or having similar commercial effect to, security for payment of a debt, any other monetary obligation or the performance of any other obligation, or any trust or any retention of title and includes, but is not limited to, any agreement to grant or create any of the above.

Effective means, when used in relation to this Scheme or the SKMH Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act in relation to those Schemes.

Effective Date means the date on which this Scheme becomes Effective.

Implementation Date means the date on which this Scheme is implemented which shall be the Second Court Date or if not reasonably practicable then the first Business Day after the Second Court Date, or such other date as may be agreed between BidCo, SKMM and SKMH.

Jacobs means Jacobs Engineering Group Inc. of 155 North Lake Avenue, Pasadena, CA 91101 USA.

Jacobs Group means Jacobs and each entity under its control, including, after the Implementation Date, the SKM Group.

Merger Implementation Deed means the deed of that name dated 8 September 2013 between Jacobs, BidCo, SKMM and SKMH.

Proportionate Share means in respect of a Scheme Shareholder, the number of Scheme Shares held by that Scheme Shareholder as a proportion of the aggregate number of Scheme Shares.

Record Date means the Business Day before the Effective Date or such other date as BidCo, SKMM and SKMH agree.

Register means the register of members of SKMM.

Registered Address means in relation to a SKMM Shareholder, the address shown in the Register for that SKMM Shareholder.

Rights has the meaning given in the Sale Agreement.

RVPS means a Redeemable Voting Preference Share in the capital of SKMM, having the rights, powers, privileges and restrictions set out in the constitution of SKMM.

Sale Agreement means the agreement so entitled attached to this Scheme as the Annexure.

Scheme Consideration means the consideration to be provided by BidCo to each Scheme Shareholder in consideration for the transfer to BidCo of each Scheme Share, as set out in this Scheme, being the amount of \$11,799.

Scheme Meeting means the meeting of SKMM Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Share means a RVPS held by a Scheme Shareholder.

Scheme Shareholder means each SKMM Shareholder as at the Record Date.

Scheme Transfer means for each Scheme Shareholder, a duly completed and executed proper instrument of transfer of the Scheme Shareholder's Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard.

Sellers' Representatives has the meaning given in the Sale Agreement.

SKM Group means SKMM, SKMH and each of their direct and indirect subsidiaries and other controlled entities.

SKM Group Shareholding Plan means the employee shareholding plan of the SKM Group pursuant to which the rights of the SKMM Shareholders and the SKMH Shareholders are governed.

SKMH means Sinclair Knight Merz Holdings Limited (ACN 001 024 102).

SKMH Ordinary Share means a fully paid Ordinary Share in the capital of SKMH, having the rights, powers, privileges and restrictions set out in the constitution of SKMH.

SKMH Scheme means the scheme of arrangement between SKMH and SKMH Shareholders pursuant to section 411 of the Corporations Act, which it is proposed will become Effective on the same date as this Scheme.

SKMH Shareholder means each person who is registered as a holder of SKMH Ordinary Shares in SKMH's register of members.

SKMM Registry means Computershare Investor Services Pty Ltd (ABN 48 078 279 277).

SKMM Scheme or **this Scheme** means this scheme of arrangement between SKMM and the Scheme Shareholders pursuant to section 411 of the Corporations Act.

SKMM Shareholder means each person who is registered as a holder of RVPS in SKMM's register of members.

Sunset Date has the meaning given in the Merger Implementation Deed. **Transaction Documents** has the meaning given in the Sale Agreement. **Trustee** means SKMM as trustee for the Scheme Shareholders.

Trust Account has the meaning given in clause 5(a).

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely. (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause is a reference to a clause of this document.
- (f) A reference to an agreement or document (including a reference to this document) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to legislation or to a provision of legislation includes a modification or re enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to \$ is to the lawful currency of Australia.
- (j) A reference to time is a reference to time in Sydney, Australia.
- (k) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.
- (l) The meaning of general words is not limited by specific examples introduced by **including** , or **for example** , or similar expressions.
- (m) Words and phrases not specifically defined in this document have the same meanings (if any) given to them in the Corporations Act.

2 Preliminary

2.1 SKMM

- (a) SKMM is a proprietary company registered in New South Wales and is a company limited by shares. SKMM is not quoted on any financial market.
- (b) At the date of the Merger Implementation Deed, the following shares were on issue in the capital of SKMM:
 - (i) 1 Founder Share, which is owned legally and beneficially by ODS Investments Pty Limited (ACN 001 100 029); and
 - (ii) 11,799 RVPS. (c) There is no other:
 - (i) class of shares in the capital of SKMM; or
 - (ii) debt instruments that may convert into SKMM shares,

and SKMM is not aware of any other rights on issue in respect of any SKMM shares.

2.2 Jacobs

- (a) Jacobs is a corporation organised under the General Corporations Law of Delaware. (b) BidCo is a proprietary company incorporated in Australia and registered in Victoria.

2.3 Consequences of this Scheme becoming Effective

If the Scheme becomes Effective:

- (a) BidCo will, in accordance with the terms of the Deed Poll, execute the Sale Agreement and will, among other things, comply with all of its payment obligations on the relevant date and other obligations on the terms set out in this Scheme and the Sale Agreement;
- (b) all Scheme Shareholders will be bound by the Sale Agreement upon execution of the Sale Agreement by BidCo and SKMM; and
- (c) provided BidCo has deposited the Scheme Consideration into the Trust Account in accordance with clause 5(a), on the Implementation Date all of the Scheme Shares will be transferred to BidCo and, subject to payment of stamp duty on the instruments of transfer (if any), SKMM will enter the name of BidCo in the Register in respect of the Scheme Shares.

2.4 Merger Implementation Deed and Deed Poll

- (a) BidCo and SKMM have agreed by executing the Merger Implementation Deed to implement this Scheme.
- (b) Jacobs has agreed by executing the Deed Poll to procure BidCo to enter into the Sale Agreement, and to comply with the payment obligations to Scheme Shareholders in accordance with the terms of this Scheme and other obligations on the terms set out in the Scheme and the Sale Agreement.

3 Conditions

3.1 Conditions Precedent

- (a) This Scheme is conditional on the satisfaction of each of the following conditions precedent:
 - (i) all conditions in clause 3.1 of the Merger Implementation Deed (other than the condition precedent relating to the approval of the Court set out in clause 3.1(d) of the Merger Implementation Deed) having been satisfied or waived in accordance with the terms of the Merger Implementation Deed by 8:00am on the Second Court Date;
 - (ii) as at 8:00am on the Second Court Date, the Merger Implementation Deed having not been terminated in accordance with its terms;
 - (iii) the Court makes orders approving the Scheme under section 411(4)(b) of the Corporations Act, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to BidCo and SKMM;
 - (iv) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to BidCo and SKMM have been satisfied; and

- (v) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme come into effect pursuant to section 411(10) of the Corporations Act.
- (b) The satisfaction of clause 3.1(a) is a condition precedent to the operation of clause 4.2.
- (c) This Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the Sunset Date.
- (d) BidCo and SKMM will provide to the Court at the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not the conditions precedent in the Merger Implementation Deed and this Scheme have been satisfied or waived.

3.2 Condition Subsequent

This Scheme will cease to have any further force and effect unless, within five Business Days after the Effective Date for this Scheme (or prior), the SKMH Scheme becomes Effective.

4 Implementation

4.1 Lodgement of Court orders

SKMM will lodge with ASIC office copies of the Court orders under section 411 of the Corporations Act approving the Scheme by no later than 5.00pm on the first Business Day after the day such office copy is received (or such later date as agreed in writing by BidCo).

4.2 Transfer of Scheme Shares

Provided BidCo has deposited the Scheme Consideration into the Trust Account in accordance with clause 5(a), on the Implementation Date and:

- (a) the Scheme Shares, together with all Rights attaching to the Scheme Shares as at the Implementation Date, will be transferred to BidCo, without the need for any further act by any Scheme Shareholder (other than acts performed by SKMM as attorney and agent for Scheme Shareholders under clause 7.5) by:
 - (i) SKMM delivering to BidCo the completed and executed Scheme Transfer; and
 - (ii) BidCo executing the Scheme Transfer and delivering it to SKMM or the SKMM Registry for registration;
- (b) as soon as practicable after receipt of the Scheme Transfer, subject to payment of stamp duty on the instruments of transfer, SKMM must enter, or must procure the entry of, the name of BidCo in the Register in respect of all of the Scheme Shares; and
- (c) SKMM as the attorney and agent for each of the Scheme Shareholders will execute the Sale Agreement and Scheme Transfer.

5 Scheme Consideration

- (a) On the Implementation Date, BidCo will (and Jacobs must procure that BidCo will) deposit in immediately available Australian dollar funds the Scheme Consideration into a trust account operated by the Trustee (**Trust Account**), to be held on trust for the Scheme Shareholders.
- (b) Provided BidCo has deposited the Scheme Consideration into the Trust Account in accordance with clause (a), as soon as practicable following implementation of this Scheme on the Implementation Date, the Trustee must pay (or procure the payment) from the Trust Account to each Scheme Shareholder that Scheme Shareholder's

Proportionate Share of the Scheme Consideration proceeds received pursuant to clause 5(a), less the Scheme Shareholder's Proportionate Share of any costs associated with payment by cheque or transfer pursuant to clause 5(c).

- (c) The Trustee must pay the amounts referred to in clause 5(b) by doing any of the following at its election:
 - (i) sending the amounts payable to the Scheme Shareholders at their respective Registered Addresses by cheque in Australian currency drawn out of the Trust Account; or
 - (ii) depositing or procuring the SKMM Registry to deposit the amounts payable to the Scheme Shareholders into an account with any Australian ADI (as defined in the Corporations Act) notified to the Trustee (or the Trustee's agent who manages the Register) by an appropriate authority from the relevant Scheme Shareholder.
- (d) In the case of Scheme Shares held in joint names any Scheme Consideration shall be payable to and be forwarded to the holder whose name appears first in the Register as at the Record Date.
- (e) If the number of Scheme Shares held by a Scheme Shareholder as at the Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration includes an entitlement to a fractional amount representing less than one cent, then the entitlement of that Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of cents, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of cents.

6 Dealings in SKMM RVPS

- (a) To establish the identity of the Scheme Shareholders, dealings in RVPS will only be recognised if:
 - (i) the transferee is registered in the Register as the holder of the relevant RVPS Shares on the Record Date; and
 - (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the place where the Register is kept.
- (b) SKMM must register registrable transmission applications or transfers of the kind referred to in clause 6(a)(ii) on the Record Date.
- (c) SKMM will not accept for registration or recognise for any purpose any transmission application or transfer in respect of RVPS received after the Record Date.
- (d) For the purpose of determining entitlements to the Scheme Consideration, SKMM must maintain the Register in accordance with the provisions of this clause 6 until the Scheme Consideration has been paid to the Scheme Shareholder. The Register in this form will solely determine entitlements to the Scheme Consideration.
- (e) From the Record Date:
 - (i) all share certificates for RVPS will cease to have effect as documents of title in respect of those shares (other than share certificates in favour of any member of the Jacobs Group and its successors in title); and
 - (ii) each entry current at that date on the Register (other than entries in respect of any member of the Jacobs Group and its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the RVPS relating to that entry.

7 General Scheme provisions

7.1 Consent

If the Court proposes to approve the Scheme subject to any alterations or conditions, SKMM may by its counsel consent on behalf of all persons concerned to those alterations or conditions for which BidCo has provided its prior written consent.

7.2 Agreement of Scheme Shareholders

Each Scheme Shareholder:

- (a) agrees to the transfer of its Scheme Shares in accordance with this Scheme; and
- (b) acknowledges that the Scheme binds SKMM and all Scheme Shareholders (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of SKMM.

7.3 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Jacobs and BidCo, and, to the extent enforceable, to have appointed and authorised SKMM as that Scheme Shareholder's agent and attorney to warrant to Jacobs and BidCo, that all of their Scheme Shares (including any Rights attaching to those Scheme Shares) will, at the time of the transfer of them to BidCo pursuant to the Scheme, be fully paid and free from all Encumbrances and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares (together with any Rights attaching to those Scheme Shares) to BidCo pursuant to the Scheme. SKMM undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Jacobs and BidCo on behalf of that Scheme Shareholder.

7.4 Beneficial entitlement to Scheme Shares

From the Implementation Date, BidCo will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by SKMM of BidCo in the Register as the holder of those shares.

7.5 Power of attorney

Each Scheme Shareholder, without the need for any further act, irrevocably appoints SKMM and all of its directors, secretaries and officers severally as its attorney and agent for the purpose of executing any document necessary to give effect to the Scheme, including without limitation:

- (a) the Scheme Transfer;
- (b) the Sale Agreement;
- (c) any instrument appointing BidCo as sole proxy or attorney for or, where applicable, corporate representative of each Scheme Shareholder as contemplated by the Sale Agreement; and
- (d) the appointment of the Sellers' Representatives (or any replacement Sellers' Representative) and/or BidCo as attorney for each Scheme Shareholder in accordance with the Sale Agreement.

7.6 Enforcement of Deed Poll

SKMM undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Jacobs and BidCo (as applicable) on behalf of and as agent and attorney for the Scheme Shareholders.

8 General

8.1 Stamp duty

- (a) Subject to clause 8.1(b), each of SKMM and BidCo will pay their share of the costs of the Scheme in accordance with the Transaction Documents.
- (b) BidCo will pay any stamp duty payable in connection with the transfer of the Scheme Shares to BidCo.

8.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to SKMM, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where the Register is kept.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Scheme Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.3 Governing law

- (a) This Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of the courts of New South Wales and courts competent to hear appeals from those courts.

8.4 Further action

SKMM will execute all documents and do all things necessary to implement and perform its obligations under this Scheme.

Annexure – Sale Agreement

JACOBS ENGINEERING GROUP INC.

LIST OF SUBSIDIARIES

The following table sets forth all subsidiaries of the Company other than subsidiaries that, when considered in the aggregate, would not constitute a significant subsidiary, including the percentage of issued and outstanding voting securities beneficially owned by the indicated company.

Jacobs Government Services Company, a California corporation	100.00%
Jacobs Field Services North America Inc., a Texas corporation	100.00%
Jacobs Field Services Ltd., a Canadian corporation	100.00%
JFSL Industrial Group Ltd., a Canadian corporation	100.00%
JFSL Construction Ltd., a Canadian corporation	100.00%
JFSL Projects Ltd., a Canadian corporation	100.00%
JFSL Construction Services Inc., a Canadian corporation	100.00%
JE Remediation Technologies Inc., a Louisiana corporation	100.00%
Jacobs Maintenance Inc., a Louisiana corporation	100.00%
Jacobs Consultancy Inc., a Texas corporation	100.00%
Jacobs P&C US Inc., a Delaware corporation	100.00%
Jacobs PSG Inc., a Delaware corporation	100.00%
Jacobs P&C Inc., a Delaware corporation	100.00%
Jacobs Minerals, Inc., a Delaware corporation	100.00%
DSI Constructors Inc., a Delaware corporation	100.00%
Jacobs Professional Services Inc., a Delaware corporation	100.00%
Jacobs Field Services Americas Inc., a Delaware corporation	100.00%
Jacobs Engineering Inc., a Delaware corporation	100.00%
Jacobs Australia Holdings Company Pty Ltd.....	100.00%
Jacobs Brazil Limited Inc.	100.00%
Brazil Limited Inc.	100.00%
CODE International Assurance Ltd., a Nevada corporation	100.00%
Jacobs Engineering SA, a Moroccan corporation	50.00%
Transportation Engineering and Management Consultants Maroc, a Moroccan corporation (Short name: Team Maroc)	100.00%*
Jacobs Engineering España, S.L., a Spanish corporation	100.00%
Neste Jacobs Oy, a corporation of Finland	40.00%
Rintekno Oy, a corporation of Finland	100.00%
Jacobs Engineering Ireland Limited, a Republic of Ireland corporation	100.00%
Jacobs Engineering de México, S.A. de C.V., a Mexican corporation	100.00%
Jacobs Luxembourg, Sarl, a Luxembourg corporation	100.00%
Jacobs Holding France SAS, a French corporation	100.00%
Jacobs France SAS, a French corporation	100.00%
Jacobs Italia, SpA, an Italian corporation	100.00%
Jacobs Morocco SARLAU, a Moroccan corporation	100.00%
Jacobs Nucléaire SAS, a French corporation	100.00%
Jacobs Spain S.L., a Spanish corporation	100.00%
Jacobs Engineering Deutschland GmbH, a German corporation	100.00%
Jacobs Projects GmbH, a German corporation	100.00%
Jacobs Nederland B.V., a Netherlands corporation	100.00%

Jacobs Process B.V., a Netherlands corporation	100.00%
Jacobs Russia LLC, a Russian corporation	100.00%
Jacobs Norway AS, a Norwegian corporation	100.00%
Jacobs Chile S.A., a Chilean corporation	100.00%
Jacobs Peru S.A., a Peruvian corporation	100.00%
Chemetics Inc., a Canadian corporation	100.00%
Jacobs Minerals Canada Inc. a Canadian corporation	100.00%
Jacobs Österreich GmbH, an Austrian corporation	100.00%
Jacobs Advanced Manufacturing B.V., a Netherlands corporation	100.00%
Jacobs Nuclear Engineering Services Private Ltd., an Indian corporation	100.00%
Jacobs België N.V., a Belgian corporation	100.00%
Jacobs Sverige A.B., a Swedish corporation	100.00%
Jacobs UK Holdings Limited, a corporation of England and Wales	100.00%
Jacobs U.K. Limited, a corporation of England and Wales	100.00%
Jacobs Process Limited, a corporation of England and Wales	100.00%
Jacobs E&C Limited, a corporation of England and Wales	100.00%
Jacobs E&C International Limited, a corporation of England and Wales	100.00%
Jacobs Matasis (Pty) Ltd., a South African corporation	74.00%
Jacobs Consultancy Ltd., a corporation of England and Wales	100.00%
Jacobs Industrial Services U.K. Ltd, a corporation of England and Wales	100.00%
Lindsey Engineering Services Ltd, a corporation of England and Wales	100.00%
Jacobs L.E.S. Limited, a corporation of England and Wales	100.00%
Jacobs Engineering India Private Limited, an Indian corporation	100.00%**
HGC Constructors Private Ltd., an Indian corporation	80.00%
Gibb Holdings Limited, a corporation of England and Wales	100.00%
Jacobs One Limited, a corporation of Scotland	100.00%
Babtie International Limited, a corporation of Scotland	100.00%
Ringway Babtie Limited, a corporation of England and Wales	25.00%
Le Crossing Company Limited, a corporation of England and Wales	57.00%
Jacobs China Limited, a Hong Kong corporation	100.00%
Jacobs Macau Limited, a Macau corporation	100.00%
BEAR Scotland Limited, a corporation of Scotland	25.00%
Ringway Jacobs Limited, a corporation of England and Wales	50.00%
JacobsGIBB Limited, a corporation of England and Wales	100.00%
Westminster & Earley Services Ltd, a corporation of England and Wales	100.00%
Thistle Water Ltd., a corporation of England and Wales	32.50%
Jacobs Suomi Oy, a Finnish corporation	100.00%
JEG Acquisition Company Limited, a corporation of England and Wales	100.00%
AWE Management Limited, a corporation of England and Wales	33.34%
Jacobs, Zamel and Turbag Consulting Engineers Company, a Saudi Arabian professional services partnership	60.00%
Jacobs International Holdings Inc., a Delaware corporation	100.00%
Jacobs Hellas A.E. a Greek corporation	100.00%

Jacobs Polska S.p z.o.o., a Polish corporation.....	100.00%
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Jacobs Puerto Rico Inc., a Puerto Rican corporation	100.00%
Jacobs Panama Inc., a Panamanian corporation	100.00%
Jacobs Holdings Singapore Pte. Limited., a Singapore corporation	100.00%
Jacobs Constructors Singapore Pte. Limited, a Singapore corporation	100.00%
Jacobs Engineering Singapore Pte. Limited, a Singapore corporation	100.00%
Consulting Engineering Services (India) Private Limited, an Indian corporation	94.55%
Consulting Engineering Services LLC, a Sultanate of Oman corporation	65.00%
Jacobs Projects (Shanghai) Co., Ltd., a Peoples Republic of China corporation	100.00%
Jacobs Construction Engineering Design Consulting (Shanghai) Co., Ltd., a Peoples Republic of China corporation	100.00%
Jacobs Services SEA Pte Ltd, a Singapore corporation	100.00%
Jacobs Canada Inc., a Canadian corporation	100.00%
Jacobs Industrial Services Limited, a Canadian corporation	100.00%
Jacobs Consultancy Canada Inc., a Canadian corporation	100.00%
Jacobs DCSA Saudi Arabia Limited, a Saudi Arabian corporation	60.00%
Jacobs Advisers Inc., a California corporation	100.00%***
Jacobs Civil Consultants Inc., a New York corporation	100.00%
JE Professional Resources Inc., a California corporation	100.00%
Jacobs Technology Inc., a Tennessee corporation	100.00%
Jacobs Australia Pty Limited, an Australian corporation	100.00%
Jacobs E&C Australia Pty Ltd., an Australian corporation	100.00%
Jacobs Project Management Australia Pty Ltd., an Australian corporation	100.00%
TYBRIN Corporation, a Florida corporation	100.00%
Jacobs Strategic Solutions Group, Inc., a Virginia corporation	100.00%
DM Petroleum Operations Company, a Louisiana corporation	80.00%
Integrated Nuclear Production Solutions, LLC, a Tennessee corporation	55.00%
Jacobs Industrial Services Inc., a Delaware corporation	100.00%
CRSS International Inc., a South Carolina corporation	100.00%
Jacobs Engineering New York Inc., a New York corporation	100.00%
Jacobs Telecommunications Inc., a New Jersey corporation	100.00%
Edwards and Kelcey Caribe Inc., a Puerto Rico corporation	100.00%
Edwards and Kelcey Design Services Inc., an Illinois corporation	100.00%
Edwards and Kelcey Partners LLP, a New Jersey corporation	99.00%
Jacobs Project Management Co., a Delaware corporation	100.00%
LeighFisher Inc., a Delaware corporation	100.00%
LeighFisher Canada Inc., a Canadian corporation	100.00%
LeighFisher Holdings Ltd., a corporation of England and Wales	100.00%
LeighFisher Ltd., a corporation of England and Wales	100.00%
LeighFisher (India) Pvt. Ltd., an Indian corporation	100.00%
KlingStubbins Inc., a Delaware corporation	100.00%****
Integrated Pipeline Solutions, Inc., a Delaware corporation	100.00%
Resource Spectrum Inc., a Georgia corporation	100.00%
Jordan, Jones and Goulding, Inc., a Georgia corporation	100.00%
LeighFisher B.V.	100.00%
Jacobs Infrastructure Texas Inc., a Delaware Corporation	100.00%



- * Ownership is divided between Jacobs Morocco (50%) and OCP (50%) – Joint Venture
- ** Ownership is divided between Jacobs Engineering Inc. and Jacobs U.K. Limited
- *** Ownership is divided between Jacobs Engineering Group Inc. and Jacobs Canada Inc.
- **** An affiliated company

Consent of Ernst & Young LLP
Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-67048) pertaining to the Jacobs Engineering Group Inc. Global Employee Stock Purchase Plan,
- (2) Registration Statement (Form S-8 No. 333-38984) pertaining to the Jacobs Engineering Group Inc. 1999 Outside Director Stock Plan,
- (3) Registration Statement (Form S-8 No. 333-45475) pertaining to the Jacobs Engineering Group Inc. 1981 Executive Incentive Plan,
- (4) Registration Statement (Form S-8 No. 333-157014) pertaining to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan,
- (5) Registration Statement (Form S-8 No. 333-157015) pertaining to the Jacobs Engineering Group Inc. 1989 Employee Stock Purchase Plan,
- (6) Registration Statement (Form S-4 No. 333-147936) and related Prospectus of Jacobs Engineering Group Inc., and
- (7) Registration Statement (Form S-8 No. 333-38974) pertaining to the Jacobs Engineering Group Inc. 1999 Stock Incentive Plan, as amended and restated:

of our reports dated November 22, 2013, with respect to the consolidated financial statements of Jacobs Engineering Group Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Jacobs Engineering Group Inc. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended September 27, 2013.

/S/ Ernst & Young LLP
Los Angeles, California
November 22, 2013

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

I, Craig L. Martin, certify that:

1. I have reviewed this Annual Report on Form 10-K 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/ Craig L. Martin

Craig L. Martin

Chief Executive Officer

November 22, 2013

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

I, John W. Prosser, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K 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/ John W. Prosser, Jr.

John W. Prosser, Jr.
Chief Financial Officer

November 22, 2013

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 Annual Report of Jacobs Engineering Group Inc. (the “Company”) on Form 10-K for the year ended September 27, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Craig L. Martin, Chief Executive 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/ Craig L. Martin

Craig L. Martin

Chief Executive Officer

November 22, 2013

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 Annual Report of Jacobs Engineering Group Inc. (the “Company”) on Form 10-K for the year ended September 27, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John W. Prosser, Jr., 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/ John W. Prosser, Jr.

John W. Prosser, Jr.

Chief Financial Officer

November 22, 2013

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.

Mine Safety Disclosure

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) by the federal Mine Safety and Health Administration (“MSHA”). Under the Mine Act, an independent contractor, such as Jacobs, that performs services or construction of a mine is included within the definition of a mining operator. We do not act as the owner of any mines. Due to timing and other factors, the data may not agree with the mine data retrieval system maintained by MSHA.

The following table provides information for the year ended September 27, 2013.

Mine or Operating Name/MSHA Identification Number	Section 104 S&S Citations (#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders (#)	Section 110(b)(2) Violations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations Under Section 104 (e) (yes/no)	Received Notice of Potential to Have Pattern Under Section 104 (e) (yes/no)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Mine ID: 02-00024 Contractor ID: 1PL	18					\$122,467		No	No	31	30	1
Mine ID: 02-00144 Contractor ID: 1PL						—		No	No	1	1	
Mine ID: 02-03131 Contractor ID: 1PL						\$224		No	No	6	6	
Mine ID: 02-00137 Contractor ID: 1PL						—		No	No			
Mine ID: 02-00150 Contractor ID: 1PL						—		No	No			
Mine ID: 26-01962 Contractor ID: 1PL	2					\$6,526		No	No			
Mine ID: 29-00159 Contractor ID: 1PL						\$100		No	No			
Mine ID: 29-00762 Contractor ID: 1PL						—		No	No			
Mine ID: 04-00743 Contractor ID: Y713						\$100		No	No		1	
Totals	20					\$129,417		No	No	38	38	1

Notes:

1. MSHA removed 2 "S&S" designations and Jacobs is currently contesting 16 citations with an "S&S" designation .
2. MSHA reduced the total assessments proposed by \$11,118 and Jacobs is currently contesting \$88,250 of the remaining assessed amounts.