BAYER AKTIENGESELLSCHAFT
Form 20-F
March 15, 2005

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As filed with the Securities and Exchange Commission on March 15, 2005

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

Form 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2004.

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-16829
BAYER AKTIENGESELLSCHAFT
(Exact name of Registrant as specified in its charter)
BAYER CORPORATION*
(Translation of Registrant s name into English)
Federal Republic of Germany
(Jurisdiction of incorporation or organization)
Bayerwerk, Gebäude W11
Kaiser-Wilhelm-Allee
51368 Leverkusen, GERMANY
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class:	Name of Each Exchange on Which Registered:
American Depositary Shares representing Bayer AG ordinary shares of no par value	New York Stock Exchange
Bayer AG ordinary shares of no par value	New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
(Title of class)
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

(Title of class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2004, 730,341,920 ordinary shares, of no par value, of Bayer AG were outstanding.

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 þ No o Not applicable.

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 o Item 18 þ

* Bayer Corporation is also the name of a wholly-owned subsidiary of the registrant in the United States.

** Not for trading, but only in connection with the registration of American Depositary Shares.

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Defined Terms and Conventions

Bayer AG is a corporation organized under the laws of the Federal Republic of Germany. As used in this annual report on Form 20-F, unless otherwise specified or required by the context, the term Company , Bayer or Bayer AG refers to Bayer AG and the terms we , us and our refer to Bayer AG and, as applicable, Bayer AG and its consolidated subsidiaries.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

Forward-Looking Information

This annual report on Form 20-F contains forward-looking statements that reflect our plans and expectations. As these statements are based on current plans, estimates and projections, you should not place undue reliance on them. We generally identify forward-looking statements with words such as expects , intends , anticipates , plans , believes estimates and similar expressions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors. We caution you that a number of important factors may cause our actual results, performance, achievements or financial position to be materially different from any results, performance, achievements or financial position expressed or implied by forward-looking statements. These factors include, but are not limited to:

- Cyclicality in our industries;
- Reduced demand for older products in response to advances in technology;
- Increasingly stringent regulatory controls;
- Increased raw materials prices;
- The expiration of patent protections;
- Environmental liabilities and compliance costs;
- Failure to compete successfully, integrate acquired companies or develop new products and technologies;
- Risks from hazardous materials;
- Litigation and product liability claims; and
- Fluctuations in currency exchange rates.

A discussion of these and other factors that may affect our actual results, performance, achievements or financial position is contained in Item 3, *Key Information Risk Factors,* the various Strategy sections in Item 4, *Information on the Company,* Item 5, *Operating and Financial Review and Prospects* and elsewhere in this annual report on Form 20-F.

Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

Enforceability of Civil Liabilities under U.S. Federal Securities Laws

We are a German corporation. All of our directors and executive officers are residents of Germany. A substantial portion of our assets and those of such individuals is located outside the United States.

As a result, although a multilateral treaty to which both Germany and the United States are party guarantees service of writs and other legal documents in civil cases if the current address of the defendant is known, it may be difficult or impossible for you to effect service of process upon these persons from within the United States.

Also, because these persons and assets are outside the United States, it may be difficult for you to enforce judgments against them in the United States, even if these judgments are of U.S. courts and are based on the civil liability provisions of the U.S. securities laws.

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If you wish to execute the judgment of a foreign court in Germany, you must first obtain from a German court an order for execution (*Vollstreckungsurteil*). A German court may grant an order to execute a U.S. court judgment with respect to civil liability under the U.S. federal securities laws if that judgment is final as a matter of U.S. law. In granting the order, the German court will not enquire whether the U.S. judgment was, as a matter of U.S. law, correct. However, the German court must refuse to grant the order if:

- the U.S. court lacked jurisdiction, as determined under German law;
- the person against whom the judgment was obtained did not receive service of process adequate to permit a proper defense, did not otherwise acquiesce in the original action and raises the lack of service of process as a defense against the grant of the execution order;
- the judgment would conflict with the final judgment of a German court or with the final judgment of another foreign court that is recognizable under German law;
- recognition of the judgment would violate an important principle of German law, especially basic constitutional rights; or
- there is a lack of reciprocity between Germany and the jurisdiction whose court rendered the original judgment.

You should be aware that German courts hold certain elements of some U.S. court judgments, for example, punitive damages, to violate important principles of German law. Judgments for ordinary compensatory damages are generally enforceable, unless in an individual case one of the reasons described above would forbid enforcement.

If you bring an original action before a German court based on the provisions of the U.S. securities laws and the court agrees to take jurisdiction over the case, the court will decide the matter in accordance with the applicable U.S. laws, to the extent that these do not violate important principles of German law. However, the court may refuse to accept jurisdiction if another action is pending before a U.S. or other foreign court in the same matter. Furthermore, the court might decide that, for a lawsuit brought by a U.S. resident under U.S. law against a defendant that, like Bayer, has a significant presence in the United States, a U.S. court would be the more proper forum.

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PART I

Item 1. ***Identity of Directors, Senior Management and Advisors***

Directors and Senior Management

Not applicable.

Item 2. ***Offer Statistics and Expected Timetable***

Not applicable.

Item 3. ***Key Information***

Selected Financial Data

We derived the following selected financial data for each of the years in the five-year period ended December 31, 2004 from our consolidated financial statements. We have prepared our consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS and, where indicated, in accordance with U.S. Generally Accepted Accounting Standards, or U.S. GAAP. Since 2002, IFRS is the term for the entire body of accounting standards issued by the International Accounting Standards Board (IASB), replacing the earlier International Accounting Standards, or IAS. Individual accounting standards that the IASB issued prior to this change in terminology continue to use the prefix IAS . Note 44 to our consolidated financial statements included in Item 18 of this annual report on Form 20-F describes the reconciliation of significant differences between IFRS and U.S. GAAP.

Since January 1, 1999, we have prepared our financial statements in European Union euros ( ). In this annual report on Form 20-F, we have translated certain euro amounts into U.S. dollar amounts at the rate of $1.3538 = 1.00, the noon buying rate of the Federal Reserve Bank of New York on December 31, 2004. We have translated these amounts solely for your convenience, and you should not assume that, on that or any other date, one could have converted these amounts of euros into dollars at that or any other exchange rate.

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The financial information presented below is only a summary. You should read it together with the consolidated financial statements included in Item 18.

Consolidated Income Statement Data

	Year Ended December 31,					
	2000	2001	2002	2003	2004	2004
						$
	(In millions, except per share data)					
IFRS:						
Net sales from continuing operations	(1)	21,702	22,038	22,178	23,045	31,198
Net sales from discontinuing operations	(1)	8,573	7,586	6,389	6,713	9,088
Net sales	30,971	30,275	29,624	28,567	29,758	40,286
Operating result from continuing operations	(1)	1,466	781(2)	520(2)	1,790	2,423
Operating result from discontinuing operations	(1)	210	737(2)	(1,639) (2)	18	24
Operating result	3,287	1,676	1,518(2)	(1,119) (2)	1,808	2,447
Non-operating result	(297)	(561)	(562) (2)	(875) (2)	(823)	(1,114)
Income before income taxes	2,990	1,115	956	(1,994)	985	1,333
Income taxes	(1,148)	(154)	107	645	(385)	(521)
Income after taxes	1,842	961	1,063	(1,349)	600	812
Minority stockholders interest	(26)	4	(3)	(12)	3	4
Net income	1,816	965	1,060	(1,361)	603	816
Average number of shares in issue	730	730	730	730	730	730
Operating result from continuing operations per share	(1)	2.01	1.07(2)	0.71(2)	2.45	3.32
Basic net income/loss per share	2.49	1.32	1.45	(1.86)	0.83	1.12
Diluted net income/loss per share	2.49	1.32	1.45	(1.86)	0.83	1.12
Dividends per share	1.40	0.90	0.90	0.50	N/A(3)	N/A(3)
U.S. GAAP:						
Net income	1,783	800	1,277	(1,445)	653	885
Basic and diluted net income per share	2.44	1.10	1.75	(1.98)	0.89	1.21

(1) We do not present discontinuing operations for 2000 because we were unable without unreasonable effort and expense to restate these years financial data to reflect the operations we classified as discontinuing operations in all more recent periods.

(2)

2002 and 2003 data have been restated for these items because of a change in the reporting of funded pension obligations. For more details, see Note 7 to the consolidated financial statements appearing elsewhere in this annual report on Form 20-F.

(3) The dividend payment for 2004 has not yet been decided on. Our Supervisory Board has accepted our Board of Management s proposal to recommend at our annual general shareholders meeting a dividend for 2004 of 0.55 per share, for a total dividend of 402 million.

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Consolidated Balance Sheet Data

	Year Ended December 31,					
	2000	2001	2002	2003	2004	2004
						$
	(In millions, except per share data)					
IFRS:						
Total assets	36,451	37,039	41,692	37,445	37,804	51,179
of which discontinuing operations	(1)	8,813	6,077	4,648	4,934	6,680
Stockholders equity	16,140	16,992	15,335	12,213	12,268	16,608
Liabilities	20,074	20,019	26,237	25,109	25,425	34,420
of which long-term financial liabilities	2,803	3,071	7,318	7,378	7,117	9,635
of which discontinuing operations	(1)	3,489	2,824	2,190	2,351	3,183
U.S. GAAP:						
Stockholders equity	19,110	18,300	16,734	13,327	13,047	17,663
Total assets	38,740	37,831	42,668	38,012	38,496	52,116

(1) We do not present discontinuing operations for 2000 because we were unable without unreasonable effort and expense to restate these years financial data to reflect the operations we classified as discontinuing operations in all more recent periods.

Dividends

The following table indicates the dividends per share paid from 2002 to 2004. Shareholders who are U.S. residents should be aware that they will be subject to German withholding tax on dividends received. See Item 10, *Additional Information Taxation.*

	2002	2003	2004
Total dividend (in millions)	657	365	N/A(1)
Dividend per share ( )	0.90	0.50	N/A(1)
Dividend per share ($)	1.22	0.68	N/A(1)

(1) The dividend payment for 2004 has not yet been decided on. Our Supervisory Board has accepted our Board of Management s proposal to recommend at our annual general shareholders meeting a dividend for 2004 of 0.55 per share, for a total dividend of 402 million.

See also Item 8, *Financial Information Dividend Policy and Liquidation Proceeds.*

Exchange Rate Data

The following table shows, for the periods and dates indicated, the exchange rate of the U.S. dollar to the euro based on the noon buying rate of the Federal Reserve Bank of New York. Fluctuations in the exchange rate between the euro and the U.S. dollar will affect the market price of the shares and the ADSs, the U.S. dollar amount received by holders of shares and the ADSs on conversion by the Depositary of any cash dividends paid in euro and the U.S. dollar translation of our results of operations and financial condition.

Year	Period End	Average	High	Low

		(U.S. dollar per euro)		
2000	0.9388	0.9233	1.0335	0.8270
2001	0.8901	0.8909	0.9535	0.8370
2002	1.0485	0.9454	1.0485	0.8594
2003	1.2597	1.1321	1.2597	1.0361
2004	1.3538	1.2438	1.3625	1.1801

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Previous Six Months	High	Low
	(U.S. dollar per euro)	
September 2004	1.2417	1.2052
October 2004	1.2783	1.2271
November 2004	1.3288	1.2703
December 2004	1.3625	1.3224
January 2005	1.3476	1.2954
February 2005	1.3274	1.2773

The exchange rate of the U.S. dollar to the euro based on the noon buying rate of the Federal Reserve Bank of New York on March 3, 2005 was $1.3130 = 1.00. In this annual report on Form 20-F, we have translated certain euro amounts into U.S. dollar amounts at the rate of $1.3538 = 1.00, the noon buying rate of the Federal Reserve Bank of New York on December 31, 2004.

Risk Factors

An investment in our shares or ADSs involves a significant degree of risk. You should carefully consider these risk factors and the other information in this annual report on Form 20-F before deciding to invest in our shares or ADSs. The risks described below are the ones we consider material. However, they are not the only ones that may exist. Additional risks not known to us or that we consider immaterial may also have an impact on our business operations. The occurrence of any of these events could seriously harm our business, operating results and financial condition. In that case, the trading price of our shares or ADSs could decline and you could lose all or part of your investment.

Our transactions relating to LANXESS expose us to continuing liability

As announced in November 2003, Bayer combined its former Bayer Chemicals segment (except for Wolff Walsrode and H.C. Starck) with parts of its former Bayer Polymers business to form the LANXESS subgroup with economic effect from July 1, 2004 as part of its portfolio realignment. LANXESS AG became a legally independent company on January 28, 2005, when its spin-off was registered in the Commercial Register (*Handelsregister*) for Bayer AG at the Local Court of Cologne (*Amtsgericht Köln*), Germany.

Our liability for prior obligations of the LANXESS subgroup following its spin-off is governed by both statutory and contractual provisions. Under the German Transformation Act, all entities that are parties to a spin-off are jointly and severally liable for obligations of the transferor entity that are established prior to the spin-off date. Bayer AG and LANXESS AG are thus jointly and severally liable for all obligations of Bayer AG that existed on January 28, 2005. The company to which the respective obligations were not assigned under the Spin-Off and Acquisition Agreement, dated September 22, 2004, between Bayer AG and LANXESS AG ceases to be liable for such obligations after a five-year period.

Under the Master Agreement between Bayer AG and LANXESS AG of the same date, each of Bayer AG and LANXESS AG agreed to release the other party from those liabilities each has assumed as principal debtor under the Spin-Off and Acquisition Agreement. The Master Agreement contains provisions for the general apportionment of liability as well as special provisions relating to the apportionment of product liability and of liability for environmental contamination and antitrust violations between Bayer AG and LANXESS AG. The Master Agreement applies to all activities of Bayer AG and LANXESS AG units throughout the world, subject to certain conditions for the United States. For a description of these agreements, please see Item 10, *Additional Information Material Contracts*.

We may bear expenses in the future relating to liabilities of the former LANXESS subgroup under the German Transformation Act or pursuant to the Spin-Off and Acquisition Agreement or the Master Agreement. These could have a material adverse effect on our financial condition and results of operations.

Cyclicality may reduce our operating margins or cause operating losses

Several of the industries in which Bayer operates are cyclical. This applies particularly to our Materials and Systems segments. Typically, increased demand during peaks in the business cycle in these industries leads producers to increase their production capacity. Although peaks in the business cycle have been characterized by increased selling prices and higher operating margins, in the past these capacity increases have led to excess capacities because they have exceeded demand growth. Low periods in the business cycles are then characterized by decreasing prices and excess capacity. These factors can depress operating margins and may result in operating losses.

Excess capacities can affect our operating results especially with respect to those commodity businesses that are characterized by slow market growth. We believe that some areas of the isocyanate business, in particular, face slow growth in demand together with substantial excess production capacity. Excess capacity in polycarbonates has declined but continues to affect the structure of the polycarbonates market. Future growth in demand may not be sufficient to absorb current excess capacity or future capacity additions without significant downward pressure on prices and adverse effects on our operating results.

The agriculture sector is particularly subject to seasonal and weather factors and fluctuations in crop prices, which may have a negative influence on our business results. As climate conditions and market prices for agricultural products change, the demand for our agricultural products generally also changes. For example, a drought will often reduce demand for our fungicides products.

Failure to develop new products and production technologies may harm our competitive position

Bayer s operating results significantly depend on the development of commercially viable new products and production technologies. We devote substantial resources to research and development. Because of the lengthy development process, technological challenges and intense competition, we cannot assure you that any of the products we are currently developing, or may begin to develop in the future, will become market-ready or achieve commercial success. If we are unsuccessful in developing new products and production processes in the future, our competitive position and operating results will be harmed.

Competitive pressure from new agrochemical compounds that achieve similar or improved results with better ecotoxicological profiles and smaller doses may reduce the sales of our existing products. The growing importance of plant biotechnology in the crop protection field could reduce market demand for some of our agrochemical products and, to the extent that our competitors supply those biotechnological products, could lead to declines in our revenues.

Regulatory controls and changes in public policy may reduce the profitability of new or current products

We must comply with a broad range of regulatory controls on the testing, manufacturing and marketing of many of our products. In some countries, including the United States, regulatory controls have become increasingly demanding. We expect that this trend will continue and will expand to other countries, particularly those of the European Union (EU). A proposed EU chemicals policy could mandate a significant increase in the testing and assessment of all chemicals, leading to increased costs and reduced operating margins for these products. Although we have adopted measures to address these stricter regulations, such as increasing the efficiency of our internal research and development processes in order to reduce the impact of extended testing on time-to-market, stricter regulatory regimes could substantially delay our product development or restrict our marketing and sales.

Our Pharmaceuticals, Biological Products segment and our Consumer Care, Diagnostics segment are subject to particularly strict regulatory regimes. Failure to achieve regulatory approval of new products in a timely manner or at all can mean that we do not recoup our research and development investment through sales of that product. We do not know when or whether any approvals from regulatory authorities will be received. Withdrawal by regulators of an approval previously granted can mean that the affected product ceases to generate revenue. This can occur even if regulators take action falling short of actual withdrawal or direct their action at over-the-

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counter (OTC) products that do not require regulatory approval. In addition, in some cases we may voluntarily cease marketing a product even in the absence of regulatory action.

Pharmaceutical product prices are subject to controls or pressures in many markets. Some governments intervene directly in setting prices. In addition, in some markets major purchasers of pharmaceutical products (whether governmental agencies or private health care providers) have the economic power to exert substantial pressure on prices. Price controls limit the financial benefits of growth in the life sciences markets and the introduction of new products. We cannot predict whether existing controls will increase or new controls will be introduced, further limiting our financial benefits from these products.

Changes in governmental agricultural policies could significantly change the structure of the overall market for agricultural products in affected countries in which we operate. A substantial change in the level of subsidies for agricultural commodities could negatively affect the level of agricultural production and the extent of the area under cultivation. As a consequence, existing markets could change with a corresponding negative impact on our CropScience subgroup s sales and operating results. As it is impossible at present to determine precisely what changes, if any, may occur, whether and when such changes will be implemented and the extent of their impact, close monitoring and analyses of the related political developments are necessary. We expect the operating result of our CropScience business to reflect the uncertainties of this industry.

Our operating margins may decrease if we are not be able to pass increased raw material prices on to customers or if prices for our products decrease faster than raw material prices

Significant variations in the cost and availability of raw materials and energy may reduce our operating results. We use significant amounts of petrochemical-based raw materials and aromatics (benzene, toluene) in manufacturing a wide variety of our products. We also purchase significant amounts of natural gas, coal, electricity and fuel oil to supply the energy required in our production processes. The prices and availability of these raw materials and energy vary with market conditions and may be highly volatile. There have been in the past, and may be in the future, periods during which we cannot pass raw material price increases on to customers. Even in periods during which raw material prices decrease, we may suffer decreasing operating profit margins if the prices of raw materials decrease more slowly than do the selling prices of our products. In the past, we have entered into hedging arrangements with respect to raw materials prices only to a limited extent. If the market for these hedging arrangements attains sufficient liquidity and we can obtain their protection at a reasonable cost, we would consider making more extensive use of these hedging instruments.

Shortages or disruptions of supplies to customers due to unplanned capacity decreases or shutdowns of production plants may reduce sales

10,270 1,206 205

Net increase (decrease) in cash and cash equivalents

16,348 20,550 17,804 (9,713)

Cash and cash equivalents:

Beginning of period

21,281 3,750 19,825 34,013

End of period

$37,629 $24,300 $37,629 $24,300

The accompanying notes are an integral part of these consolidated financial statements.

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MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Business and Basis of Presentation

Organization

MYR Group Inc. (the "Company") is a holding company of specialty electrical construction service providers and is currently conducting operations through a number of wholly-owned subsidiaries including: The L. E. Myers Co., a Delaware corporation; Hawkeye Construction, Inc., an Oregon corporation; Harlan Electric Company, a Michigan corporation; Sturgeon Electric Company, Inc., a Michigan corporation; MYR Transmission Services, Inc., a Delaware corporation; and Great Southwestern Construction, Inc., a Colorado corporation.

Business

The Company performs construction services in two business segments: Transmission and Distribution ("T&D"), and Commercial and Industrial ("C&I"). T&D customers include electric utilities, private developers, cooperatives and municipalities. The Company provides a broad range of services, which include design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair throughout the United States. The Company also provides C&I electrical contracting services to property owners and general contractors in the western United States.

Interim Consolidated Financial Information

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial reporting and pursuant to the rules and regulations of the SEC. Certain information and note disclosures typically included in financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with these rules and regulations. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to state fairly the financial condition of the Company as of June 30, 2013, and the results of operations and cash flows for the three and six months ended June 30, 2013 and 2012. The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results for the full year or the results for any future periods. The consolidated balance sheet as of December 31, 2012 has been derived from the audited financial statements as of that date. These financial statements should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2012, included in the Company's annual report on Form 10-K.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. The most significant estimates are related to the completion percentages on our contracts, insurance reserves, the accounts receivable reserve, the recoverability of goodwill and intangibles and estimates surrounding stock-based compensation.

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MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Organization, Business and Basis of Presentation (Continued)

During the three-month and six-month periods ended June 30, 2013, the Company revised its cost estimates on several large transmission projects, which resulted in approximately 1.3% and 1.0%, respectively, of additional gross margin being recognized in the three-month and six-month periods.

Recent Accounting Pronouncements

Changes to U.S. GAAP are typically established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification ("ASC"). The Company considers the applicability and impact of all ASUs. The Company, based on its assessment, determined that any recently issued or proposed ASUs not listed below are either not applicable to the Company or have minimal impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. This update requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. Obligations within the scope of this update include debt arrangements, other contractual obligations and settled litigation and judicial rulings. The update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company believes that this update will not have a material impact on its financial statements.

Recently Adopted Accounting Pronouncements

In July 2012, the FASB issued ASU No. 2012-02, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*. This update was intended to simplify how entities test impairment of indefinite-lived intangible assets other than goodwill. The new guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the asset is less than its carrying amount as a basis for determining whether it is necessary to perform certain additional impairment tests. The Company adopted this ASU in January 2013 and there was no effect on the Company's financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The update requires entities to disclose information about offsetting and related arrangements of financial instruments and derivative instruments. The Company adopted this ASU in January 2013 and there was no effect on the Company's financial position, results of operations or cash flows.

In January 2013, the FASB issued ASU No. 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosure about Offsetting Assets and Liabilities*. The amendment clarifies that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and securities lending transactions. The Company adopted this ASU in January 2013 and there was no effect on the Company's financial position, results of operations or cash flows.

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MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Fair Value Measurements

The Company uses the three-tier hierarchy of fair value measurement, which prioritizes the inputs used in measuring fair value based upon their degree of availability in external active markets. These tiers include: Level 1 (the highest priority), defined as observable inputs, such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 (the lowest priority), defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of June 30, 2013 and December 31, 2012, the carrying value of the Company's cash and cash equivalents approximated fair value based on Level 1 inputs.

3. Contracts in Process

The net asset (liability) position for contracts in process consisted of the following:

(In thousands)	June 30, 2013	December 31, 2012
Costs and estimated earnings on uncompleted contracts	$ 1,580,917	$ 1,439,455
Less: Billings to date	1,593,069	1,410,271
	$ (12,152)	$ 29,184

The net asset (liability) position for contracts in process included in the accompanying consolidated balance sheets was as follows:

(In thousands)	June 30, 2013	December 31, 2012
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 36,836	$ 61,773
Billings in excess of costs and estimated earnings on uncompleted contracts	(48,988)	(32,589)
	$ (12,152)	$ 29,184

4. Income Taxes

The difference between the U.S. federal statutory tax rate of 35% and the Company's effective tax rates for the three and six months ended June 30, 2013 and 2012 was principally due to state income taxes.

The Company had unrecognized tax benefits of approximately $1.0 million and $0.8 million as of June 30, 2013 and December 31, 2012, respectively, which were included in other liabilities in the accompanying consolidated balance sheets.

The Company's policy is to recognize interest and penalties related to income tax liabilities as a component of income tax expense in the consolidated statements of operations. The amount of interest and penalties charged to income tax expense because of the unrecognized tax benefits was less than $0.1 million for each of the three and six month periods ended June 30, 2013 and 2012.

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MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Income Taxes (Continued)

The Company is subject to taxation in various jurisdictions. The Company's federal tax returns for 2009 and 2010 are currently under examination by the Internal Revenue Service. The Company remains subject to examination by U.S. federal authorities for the remaining open tax year (2011) and by various state authorities for the years 2008 through 2011.

5. Commitments and Contingencies

Letters of Credit

At both June 30, 2013 and December 31, 2012, the Company had $19.7 million in outstanding irrevocable standby letters of credit, including one for $17.5 million related to the Company's payment obligation under its insurance programs and another for approximately $2.2 million related to contract performance obligations.

Leases

The Company leases real estate, construction equipment and office equipment under operating leases with terms ranging from one to nine years. As of June 30, 2013, future minimum lease payments for operating leases were as follows: $1.3 million for the remainder of 2013, $1.3 million for 2014, $0.6 million for 2015, $0.3 million for 2016, $0.2 million for 2017 and $0.4 million thereafter.

Purchase Commitments for Construction Equipment

As of June 30, 2013, the Company had approximately $1.8 million in outstanding purchase orders for certain construction equipment with cash outlay requirements scheduled to occur over the next four months.

Insurance and Claims Accruals

The Company carries insurance policies, which are subject to certain deductibles, for workers' compensation, general liability, automobile liability and other coverages. The deductible for each line of coverage is $1.0 million until the claim aggregate has been met. Once a policy's claim aggregate for workers compensation and general liability is reached per line of coverage, the deductible for that policy is reduced to $0.5 million per claim.

Certain of the Company's health insurance benefit plans are subject to a $0.1 million deductible for qualified individuals. Losses up to the stop loss amounts are accrued based upon the Company's estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported.

The insurance and claims accruals are based on known facts, actuarial estimates and historical trends. While recorded accruals are based on the ultimate liability, which includes amounts in excess of the stop loss deductible, a corresponding receivable for amounts in excess of the stop loss deductible is included in current assets in the consolidated balance sheets.

Surety Bonds

In certain circumstances, the Company is required to provide performance bonds in connection with its future performance on contractual commitments. The Company has indemnified its surety for

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MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Commitments and Contingencies (Continued)

any expenses paid out under these performance bonds. As of June 30, 2013, an aggregate of approximately $944.8 million in original face amount of bonds issued by the surety were outstanding. Our estimated remaining cost to complete these bonded projects was approximately $250.5 million as of June 30, 2013.

Indemnities

From time to time, pursuant to its service arrangements, the Company indemnifies its customers for claims related to the services it provides under those service arrangements. These indemnification obligations may subject the Company to indemnity claims and liabilities and related litigation. The Company is not aware of any material unrecorded liabilities for asserted claims in connection with these indemnification obligations.

Multi-employer Pension Plans

Many of the Company's subsidiaries' field labor employees are covered by collective bargaining agreements. The agreements require the subsidiaries to pay specified wages, provide certain benefits and contribute certain amounts to multi-employer pension plans. If a subsidiary withdraws from one or more multi-employer pension plans or if the plans were to otherwise become underfunded, the subsidiary could be assessed liabilities for additional contributions related to the underfunding of these plans. Although the Company has been informed that some of the multi-employer pension plans to which its subsidiaries contribute have been labeled with a "critical" status, the Company is not currently aware of any potential significant liabilities related to this issue.

Litigation and Other Legal Matters

The Company is from time-to-time party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief.

The Company is routinely subject to other civil claims, litigation and arbitration, and regulatory investigations arising in the ordinary course of our present business as well as in respect of our divested businesses. These claims and litigations include claims related to the Company's current services and operations, as well as our historic operations.

With respect to all such lawsuits, claims and proceedings, the Company records reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe that any of these proceedings, separately or in the aggregate, would be expected to have a material adverse effect on the Company's financial position, results of operation or cash flows.

In January 2013, our subsidiary, The L.E. Myers Co., was joined as a defendant in *Northern States Power Company (Wisconsin) v. The City of Ashland, Wisconsin et al.*, filed in the U.S. District Court for the Western District of Wisconsin. The plaintiff's lawsuit alleges that The L.E. Myers Co. may have constructed or operated a manufactured gas plant that contributed to contamination at a site in Ashland, Wisconsin at some time during the time frame from 1885 to 1947 and that the plaintiff is entitled to payment for certain costs it has incurred in connection with the contamination at the site.

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MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Commitments and Contingencies (Continued)

This proceeding is subject to many uncertainties and to outcomes that are not predictable and therefore potential liability, if any, cannot be estimated at this time.

6. Stock-Based Compensation

The Company maintains two award plans under which stock-based compensation has been granted, the 2006 Stock Option Plan (the "2006 Plan") and the 2007 Long-Term Incentive Plan (Amended and Restated as of May 5, 2011) (the "LTIP"). Upon the adoption of the LTIP, awards were no longer granted under the 2006 Plan. The LTIP provides for grants of (a) incentive stock options qualified as such under U.S. federal income tax laws, (b) stock options that do not qualify as incentive stock options, (c) stock appreciation rights, (d) restricted stock awards, (e) performance awards, (f) phantom stock, (g) stock bonuses, (h) dividend equivalents, and (i) any combination of such awards.

All awards are made with an exercise price or base price, as the case may be, that is not less than the fair market value per share. The Company uses the Black-Scholes-Merton option-pricing model to estimate the fair value of each stock option grant as of the date of grant. The grant date fair value of restricted stock and performance awards is equal to the closing market price of the Company's common stock on the date of grant.

Stock Options

The following summarizes the stock option activity for the six months ended June 30, 2013:

	Options	Weighted-Average Exercise Price
Outstanding at January 1, 2013	1,432,228	$ 10.34
Granted	111,147	$ 24.68
Exercised	(178,765)	$ 5.85
Forfeited	(3,321)	$ 20.04
Expired	(1,070)	$ 13.73
Outstanding at June 30, 2013	1,360,219	$ 12.08

The following summarizes the fair value and the assumptions used in determining the fair value of stock options granted during the six months ended June 30, 2013 and 2012.

	2013	2012
Risk-free interest rate	1.0%	1.2 - 1.4%
Expected dividend yield	0.0%	0.0%
Weighted average expected volatility	50%	50%
Expected term	6.0 years	6.0 - 6.3 years
Weighted average grant-date fair value	$11.74	$8.57

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MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-Based Compensation (Continued)

Restricted Stock

The following summarizes restricted stock activity for the six months ended June 30, 2013:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2013	185,764	$ 19.54
Granted	69,882	$ 24.68
Vested	(45,939)	$ 19.50
Forfeited	(1,764)	$ 19.80
Outstanding at June 30, 2013	207,943	$ 21.27

The shares of restricted stock that vested became taxable to the individual holders of the awards upon vest. The Company received 11,449 of those shares as payment for withholding taxes due by holders of the restricted stock awards. The withheld shares were returned to authorized but unissued stock.

Performance Awards

The following summarizes performance awards activity for the six months ended June 30, 2013:

	Shares	Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2013	74,923	$ 20.51
Granted	46,106	$ 24.68
Outstanding at June 30, 2013	121,029	$ 22.10

7. Segment Information

MYR Group is a specialty contractor serving the electrical infrastructure market in the United States. The Company has two reporting segments, each a separate operating segment, which are referred to as T&D and C&I. Performance measurement and resource allocation for the reporting segments are based on many factors. The primary financial measures used to evaluate the segment information are contract revenues and income from operations, excluding general corporate expenses. General corporate expenses include corporate facility and staffing costs, which includes safety, professional fees, management fees, and intangible amortization. The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies in the Company's annual report on Form 10-K for the year ended December 31, 2012.

Transmission and Distribution: The T&D segment provides a broad range of services on electric transmission and distribution networks and substation facilities which include design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair, throughout the United States. T&D services include the construction and maintenance of high voltage transmission lines, substations and lower voltage underground and overhead distribution systems. The T&D segment also provides emergency restoration

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MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Segment Information (Continued)

services in response to hurricane, ice or other storm-related damage. T&D customers include electric utilities, private developers, cooperatives and municipalities.

Commercial and Industrial: The C&I segment provides services such as the design, installation, maintenance and repair of commercial and industrial wiring, installation of traffic networks and the installation of bridge, roadway and tunnel lighting. C&I customers include property owners and general contractors in the western United States. Typical C&I contracts cover electrical contracting services for airports, hospitals, data centers, hotels, stadiums, convention centers, manufacturing plants, processing facilities, waste-water treatment facilities, mining facilities and transportation control and management systems.

The information in the following table was derived from internal financial reports used for corporate management purposes:

	Three months ended June 30,		Six months ended June 30,	
(In thousands)	**2013**	**2012**	**2013**	**2012**
Contract revenues:				
T&D	$ 174,041	$ 215,816	$ 334,573	$ 420,814
C&I	39,875	44,594	80,685	79,824
	$ 213,916	$ 260,410	$ 415,258	$ 500,638
Operating income (loss):				
T&D	$ 21,746	$ 20,911	$ 38,440	$ 37,723
C&I	1,429	1,860	4,155	2,959
General Corporate	(7,813)	(7,114)	(15,843)	(14,797)
	$ 15,362	$ 15,657	$ 26,752	$ 25,885

8. Earnings Per Share

The Company computes earnings per share using the two-class method, an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings, when that method results in a more dilutive effect than the Treasury method. The Company's unvested grants of restricted stock contain non-forfeitable rights to dividends, should any be declared, and are treated as participating securities and included in the computation of earnings per share.

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MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Earnings Per Share (Continued)

Net income available to common shareholders and the weighted average number of common shares used to compute basic and diluted earnings per share was as follows:

(In thousands, except per share data)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Numerator:				
Net income	$ 9,462	$ 9,535	$ 16,422	$ 15,745
Less: Net income allocated to participating securities	94	83	154	120
Net income available to common shareholders	$ 9,368	$ 9,452	$ 16,268	$ 15,625
Denominator:				
Weighted average common shares outstanding	20,785	20,338	20,723	20,319
Weighted average dilutive securities	612	756	660	779
Weighted average common shares outstanding, diluted	21,397	21,094	21,383	21,098
Income per common share, basic	$ 0.45	$ 0.46	$ 0.79	$ 0.77
Income per common share, diluted	$ 0.44	$ 0.45	$ 0.76	$ 0.74

Potential common shares related to the assumed exercise of stock options are not included in the denominator of the diluted earnings per share calculation if the inclusion of such shares would either be anti-dilutive or if the exercise prices of those common stock equivalents were greater than the average market price of the Company's common stock for the period. For the three and six months ended June 30, 2013 outstanding stock options of approximately 221,000 were excluded as common stock equivalents from the diluted earnings per share. For the three and six months ended June 30, 2012 outstanding stock options of approximately 358,000 and 112,000, respectively, were excluded as common stock equivalents from the diluted earnings per share. Additionally, for the three and six months ended June 30, 2012, potential common shares related to the unvested portion of performance awards of approximately 12,000 shares were excluded from the denominator of the diluted earnings per share calculation as the underlying performance obligation was not met as of the end of the period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion should be read in conjunction with the accompanying consolidated financial statements as of June 30, 2013 and December 31, 2012, and for the three and six months ended June 30, 2013 and 2012, and with our Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 Annual Report"). In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed herein under the captions labeled "Cautionary Statement Concerning Forward-Looking Statements and Information" and "Risk Factors," as well as in the 2012 Annual Report. We assume no obligation to update any of these forward-looking statements.

Overview and Outlook

We are a leading specialty contractor serving the electrical infrastructure market in the United States. We manage and report our operations through two industry segments: T&D and C&I. We have operated in the T&D industry since 1891. We are one of the largest national contractors servicing the T&D sector of the electric utility industry, and our customers include many of the leading companies in the electric industry. We have provided C&I electrical contracting services to facility owners and general contractors in the western United States since 1912.

We had consolidated revenues for the six months ended June 30, 2013 of $415.3 million, of which 80.6% was attributable to our T&D customers and 19.4% was attributable to our C&I customers. Our consolidated revenues for the six months ended June 30, 2012 were $500.6 million. For the six months ended June 30, 2013, our net income and EBITDA(1) were $16.4 million and $40.8 million, respectively, compared to $15.7 million and $37.7 million, respectively, for the six months ended June 30, 2012. Material and subcontractor cost in our T&D segment comprised approximately 25% of total contract cost in the first six months of 2013, compared to approximately 45% in the first six months of 2012. The higher material and subcontractor cost in the six months of 2012 contributed to the higher revenues in that period. The Company expects material and subcontractor costs to continue to comprise a lower percentage of total contract costs in the second half of 2013 compared to the second half of 2012. We worked slightly more manhours in the first six months of 2013 than those worked in the same period last year. Equipment utilization improved in the first six months of 2013 compared to the same period in 2012.

Our results have been driven primarily by successful bids for, and execution of, projects, our ability to capitalize on increased infrastructure spending in our markets and the breadth of our customer base. Our business is directly impacted by the level of spending on T&D infrastructure throughout the United States and the level of commercial and industrial electrical construction activity in the western United States. The Company believes its transmission customers remain committed to the expansion and strengthening of their transmission infrastructure, with planning, engineering and funding for many of their projects in place. We believe our centralized fleet and skilled workforce provide us with a competitive advantage as spending in the transmission infrastructure market continues. We expect bidding activity to remain strong for large multi-year projects throughout 2013; however, significant construction on large multi-year projects awarded through the bidding process in 2013 will likely not occur until 2014 or 2015.

The bidding environment in some of our C&I markets continued to improve in the first six months of 2013. Results in our C&I segment improved as compared to the first six months of 2012, and we

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(1) EBITDA is a non-GAAP measure. Refer to "Non-GAAP Measure EBITDA" for a discussion of this measure.

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expect C&I to benefit to the extent economic conditions continue to improve in the western United States.

Our future growth may be organic, through strategic acquisitions and/or joint ventures that we expect will improve our competitive position within our existing markets or expand our geographic footprint. We ended the second quarter of 2013 in a strong financial position, which included cash and cash equivalents of $37.6 million and availability of $155.3 million under our credit facility. We have additional bonding, labor and equipment capacity and continue to bid new projects. We plan to continue investing in additional property and equipment and to evaluate strategic acquisition and joint venture opportunities to support our growth strategy. We believe that our financial and operational strengths will enable us to manage the markets we serve and give us the flexibility for further strategic investments.

Backlog

We define backlog as our estimated revenue on uncompleted contracts, including the amount of revenue on contracts for which work has not begun, less the revenue we have recognized under such contracts. Backlog may not accurately represent the revenues that we expect to realize during any particular period. Several factors such as the timing of contract awards, the type and duration of contracts, and the mix of subcontractor and material costs in our projects, can impact our backlog at any point in time. Some of our revenue does not appear in our periodic backlog reporting because the award of the project, as well as the execution of the work, may all take place within the period. In addition, we have some transmission projects for which we anticipate performing major work for several years to come, but the anticipated work is not included in our backlog due to the way certain transmission line work will be awarded over time and how we account for our backlog. Our backlog only includes projects that have a signed contract or an agreed upon work order to perform work on mutually accepted terms and conditions. Backlog should not be relied upon as a stand-alone indicator of future events.

Our backlog was $474.5 million at June 30, 2013 compared to $467.1 million at March 31, 2013 and $543.0 million at June 30, 2012. Our backlog at June 30, 2012 included projects awarded from previous periods, that included a higher than normal amount of subcontractor cost and materials. Most of the subcontractor cost associated with the aforementioned projects was completed in 2012, and most of the materials for those projects were put into the construction process in 2012, contributing to a decrease in backlog from period to period.

The following table summarizes that amount of our backlog that we believe to be firm as of the dates shown and the amount of our current backlog that we reasonably estimate will not be recognized within the next twelve months:

	Backlog at June 30, 2013		
(In thousands)	**Total**	**Amount estimated to not be recognized within 12 months**	**Total backlog at June 30, 2012**
T&D	$ 357,908	$ 11,425	$ 464,187
C&I	116,578	27,612	78,780
Total	$ 474,486	$ 39,037	$ 542,967

Project Bonding Requirements

A substantial portion of our business requires performance bonds or other means of financial assurance to secure contractual performance. These bonds are typically issued at the face value of the contract awarded. If we fail to perform or pay our subcontractors or vendors, the customer may

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demand that the surety provide services or make payments under the bond. In such a case, we would likely be required to reimburse the surety for any expenses or outlays it incurs. To date, we have not been required to make any reimbursements to our surety for claims against the surety bonds. As of June 30, 2013, we had approximately $944.8 million in original face amount of surety bonds outstanding. Our estimated remaining cost to complete these bonded projects was approximately $250.5 million as of June 30, 2013.

Consolidated Results of Operations

The following table sets forth selected consolidated statements of operations data and such data as a percentage of revenues for the period indicated:

	Three months ended June 30,				Six months ended June 30,			
	2013		2012		2013		2012	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Contract revenues	$ 213,916	100.0%	$ 260,410	100.0%	$ 415,258	100.0%	$ 500,638	100.0%
Contract costs	182,663	85.4	230,348	88.5	356,702	85.9	444,473	88.8
Gross profit	31,253	14.6	30,062	11.5	58,556	14.1	56,165	11.2
Selling, general and administrative expenses	16,144	7.6	14,515	5.6	32,151	7.8	30,433	6.1
Amortization of intangible assets	83		83		167		167	
Gain on sale of property and equipment	(336)	(0.2)	(193)	(0.1)	(514)	(0.1)	(320)	(0.1)
Income from operations	15,362	7.2	15,657	6.0	26,752	6.4	25,885	5.2
Other income (expense)								
Interest income			1		3		1	
Interest expense	(179)	(0.1)	(204)	(0.1)	(362)	(0.1)	(386)	(0.1)
Other, net	(22)		(32)		(17)		(59)	
Income before provision for income taxes	15,161	7.1	15,422	5.9	26,376	6.3	25,441	5.1
Income tax expense	5,699	2.7	5,887	2.2	9,954	2.4	9,696	2.0
Net income	$ 9,462	4.4%	$ 9,535	3.7%	$ 16,422	3.9%	$ 15,745	3.1%

Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012

Revenues. Revenues decreased $46.5 million, or 17.9%, to $213.9 million for the three months ended June 30, 2013 from $260.4 million for the three months ended June 30, 2012. The majority of the decrease in revenues was the result of lower material and subcontractor costs associated with several large transmission projects (greater than $10.0 million in contract value). Material and subcontractor cost comprised approximately 28% of total contract cost in the three months ended June 30, 2013, compared to approximately 47% in the three months ended June 30, 2012.

Gross profit. Gross profit increased $1.2 million, or 4.0%, to $31.3 million for the three months ended June 30, 2013 from $30.1 million for the three months ended June 30, 2012. Gross margin increased to 14.6% for the three months ended June 30, 2013 from 11.5% for the three months ended June 30, 2012. The increase in both gross profit and gross margin was largely due to better project execution, higher equipment utilization and the underlying mix of contract cost components, which included less material and subcontractor cost and more of the Company's labor and equipment cost, on a relative basis. Approximately 1.3% of the gross margin of 14.6% was due to improved contract margins on several large transmission projects as a result of increased productivity levels, cost efficiencies, additional work and effective contract management.

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Selling, general and administrative expenses. Selling, general and administrative expenses, which were $16.1 million for the three months ended June 30, 2013 increased $1.6 million from $14.5 million for the three months ended June 30, 2012. The increase was primarily due to an increase in employee compensation, medical insurance, and fringe benefits related primarily to the increased number of personnel to support operations. As a percentage of revenues, selling, general and administrative expenses increased to 7.6% for the three months ended June 30, 2013 from 5.6% for the three months ended June 30, 2012.

Gain on sale of property and equipment. Gains from the sale of property and equipment increased to $0.3 million for the three months ended June 30, 2013 from $0.2 million for the three months ended June 30, 2012. Gains from the sale of property and equipment are attributable to routine sales of property and equipment that is no longer useful or valuable to our ongoing operations.

Interest expense. Interest expense for the three months ended June 30, 2013 and June 30, 2012 was $0.2 million.

Provision for income taxes. The provision for income taxes was $5.7 million for the three months ended June 30, 2013, with an effective tax rate of 37.6%, compared to a provision of $5.9 million for the three months ended June 30, 2012, with an effective tax rate of 38.2%.

Net income. Net income for the three months ended June 30, 2013 was $9.5 million, consistent with the three months ended June 30, 2012.

Segment Results

The following table sets forth, for the periods indicated, statements of operations data by segment, segment net sales as percentage of total net sales and segment operating income as a percentage of segment net sales:

	Three months ended June 30,			
	2013		2012	
(Dollars in thousands)	**Amount**	**Percent**	**Amount**	**Percent**
Contract revenues:				
Transmission & Distribution	$ 174,041	81.4%	$ 215,816	82.9%
Commercial & Industrial	39,875	18.6	44,594	17.1
Total	$ 213,916	100.0	$ 260,410	100.0
Operating income (loss):				
Transmission & Distribution	$ 21,746	12.5	$ 20,911	9.7
Commercial & Industrial	1,429	3.6	1,860	4.2
Total	23,175	10.8	22,771	8.7
Corporate	(7,813)	(3.6)	(7,114)	(2.7)
Consolidated	$ 15,362	7.2%	$ 15,657	6.0%

Transmission & Distribution

Revenues for our T&D segment for the three months ended June 30, 2013 were $174.0 million compared to $215.8 million for the three months ended June 30, 2012, a decrease of $41.8 million, or 19.4%. The decrease in revenues was the result of lower material and subcontractor costs associated with several large transmission projects. Material and subcontractor cost in our T&D segment comprised approximately 24% of total contract cost in the three months ended June 30, 2013, compared to approximately 47% in the three months ended June 30, 2012.

Revenues from transmission projects represented 85.0% and 86.9% of T&D segment revenue for the three months ended June 30, 2013 and 2012, respectively. Additionally, for the three months ended June 30, 2013, measured by revenue in our T&D segment, we provided 55.5% of our T&D services under fixed-price contracts, as compared to 32.9% for the three months ended June 30, 2012.

Operating income for our T&D segment for the three months ended June 30, 2013 was $21.7 million compared to $20.9 million for the three months ended June 30, 2012, as lower volume in large transmission projects was largely offset by higher contract margins on several large transmission projects. Operating income, as a percentage of revenues, for our T&D segment increased to 12.5% for the three months ended June 30, 2013 from 9.7% for the three months ended June 30, 2012. The increase in operating income, as a percentage of revenues, was mainly due to improved contract margins on several large transmission projects as a result of increased productivity levels, cost efficiencies, additional work, and effective contract management. Additionally, overall improvement in project execution and an increase in equipment utilization led to improved operating income as a percentage of sales for the three months ended June 30, 2013.

Commercial & Industrial

Revenues for our C&I segment for the three months ended June 30, 2013 were $39.9 million compared to $44.6 million for the three months ended June 30, 2012, a decrease of $4.7 million or 10.6%. The decrease in revenues was mainly due to a decrease in revenues from projects with contract values greater than $3.0 million. Material and subcontractor cost in our C&I segment comprised approximately 42% of total contract cost in the three months ended June 30, 2013, compared to approximately 45% in the three months ended June 30, 2012.

Measured by revenue in our C&I segment, we provided 51.7% of our services under fixed-price contracts for the three months ended June 30, 2013, compared to 59.2% in the three months ended June 30, 2012.

Operating income for our C&I segment for the three months ended June 30, 2013 was $1.4 million compared to $1.9 million for the three months ended June 30, 2012, a decrease of $0.4 million, or 23.2%. As a percentage of revenues, operating income for our C&I segment decreased to 3.6% for the three months ended June 30, 2013 from 4.2% for the three months ended June 30, 2012. The decline in operating income in the three months ended June 30, 2013 was largely driven by the increased cost of a large project partially offset by increased margins on other projects.

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Revenues. Revenues decreased $85.4 million, or 17.1%, to $415.3 million for the six months ended June 30, 2013 from $500.6 million for the six months ended June 30, 2012. The majority of the decrease in revenues was the result of lower material and subcontractor costs associated with large transmission projects. Material and subcontractor cost comprised approximately 29% of total contract cost in the six months ended June 30, 2013, compared to approximately 45% in the six months ended June 30, 2012.

Gross profit. Gross profit increased $2.4 million, or 4.3%, to $58.6 million for the six months ended June 30, 2013 from $56.2 million for the six months ended June 30, 2012, primarily because of increased contract margins on transmission projects with contract values in excess of $3.0 million. Gross margin increased to 14.1% for the six months ended June 30, 2013 from 11.2% for the six months ended June 30, 2012. The increase in gross margin was largely due to better project execution, higher equipment utilization and the underlying mix of contract cost components, which included less material and subcontractor cost and more of the Company's labor and equipment cost, on a relative basis. Approximately 1.0% of the gross margin of 14.1% was due to improved contract margins on several large transmission projects as a result of increased productivity levels, cost efficiencies, additional work and effective contract management.

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Selling, general and administrative expenses. Selling, general and administrative expenses, which were $32.2 million for the six months ended June 30, 2013, increased $1.7 million from the $30.4 million recorded for the six months ended June 30, 2012. The increase was primarily due to an increase in employee compensation, medical insurance, and fringe benefits related primarily to the increased number of personnel to support operations. As a percentage of revenues, selling, general and administrative expenses increased to 7.8% for the six months ended June 30, 2013 from 6.1% for the six months ended June 30, 2012.

Gain on sale of property and equipment. Gains from the sale of property and equipment increased to $0.5 million for the six months ended June 30, 2013 from $0.3 million for the six months ended June 30, 2012. Gains from the sale of property and equipment are attributable to routine sales of property and equipment that is no longer useful or valuable to our ongoing operations.

Interest expense. Interest expense for the six months ended June 30, 2013 and June 30, 2012 was $0.4 million.

Provision for income taxes. The provision for income taxes was $10.0 million for the six months ended June 30, 2013, with an effective tax rate of 37.7%, compared to a provision of $9.7 million for the six months ended June 30, 2012, with an effective tax rate of 38.1%.

Net income. Net income for the six months ended June 30, 2013 was $16.4 million compared to net income for the six months ended June 30, 2012 of $15.7 million for the reasons stated earlier.

Segment Results

The following table sets forth, for the periods indicated, statements of operations data by segment, segment net sales as percentage of total net sales and segment operating income as a percentage of segment net sales:

	Six months ended June 30,			
	2013		2012	
(Dollars in thousands)	Amount	Percent	Amount	Percent
Contract revenues:				
Transmission & Distribution	$ 334,573	80.6%	$ 420,814	84.1%
Commercial & Industrial	80,685	19.4	79,824	15.9
Total	$ 415,258	100.0	$ 500,638	100.0
Operating income (loss):				
Transmission & Distribution	$ 38,440	11.5	$ 37,723	9.0
Commercial & Industrial	4,155	5.1	2,959	3.7
Total	42,595	10.3	40,682	8.1
Corporate	(15,843)	(3.9)	(14,797)	(2.9)
Consolidated	$ 26,752	6.4%	$ 25,885	5.2%

Transmission & Distribution

Revenues for our T&D segment for the six months ended June 30, 2013 were $334.6 million compared to $420.8 million for the six months ended June 30, 2012, a decrease of $86.2 million, or 20.5%. The decrease in revenues was the result of lower material and subcontractor costs associated with several large transmission projects. Material and subcontractor cost in our T&D segment comprised approximately 25% of total contract cost in the six months ended June 30, 2013, compared to approximately 45% in the six months ended June 30, 2012.

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Revenues from transmission projects represented 83.2% and 85.4% of T&D segment revenue for the six months ended June 30, 2013 and 2012, respectively. Additionally, for the six months ended June 30, 2013, measured by revenue in our T&D segment, we provided 53.9% of our T&D services under fixed-price contracts, as compared to 48.5% for the six months ended June 30, 2012.

Operating income for our T&D segment for the six months ended June 30, 2013 was $38.4 million compared to $37.7 million for the six months ended June 30, 2012, as lower volume in large transmission projects was largely offset by higher contract margins on several large transmission projects. Operating income, as a percentage of revenues, for our T&D segment increased to 11.5% for the six months ended June 30, 2013 from 9.0% for the six months ended June 30, 2012. The increase in operating income, as a percentage of revenues, was mainly due to improved project margins on several large transmission projects as a result of increased productivity levels, cost efficiencies, additional work, and effective contract management. Additionally, overall improvement in project execution and an increase in equipment utilization led to improved operating income as a percentage of revenues for the six months ended June 30, 2013.

Commercial & Industrial

Revenues for our C&I segment for the six months ended June 30, 2013 were $80.7 million compared to $79.8 million for the six months ended June 30, 2012, an increase of $0.9 million or 1.1%. The increase in revenues was mainly due to an increase in revenues from many projects with contract values greater than $3.0 million. Material and subcontractor cost in our C&I segment comprised approximately 41% of total contract cost in the six months ended June 30, 2013, compared to approximately 46% in the six months ended June 30, 2012.

Measured by revenue in our C&I segment, we provided 50.0% of our services under fixed-price contracts for the six months ended June 30, 2013, compared to 54.7% in the six months ended June 30, 2012.

Operating income for our C&I segment for the six months ended June 30, 2013 was $4.2 million compared to $3.0 million for the six months ended June 30, 2012, an increase of $1.2 million, or 40.4%. As a percentage of revenues, operating income for our C&I segment increased to 5.1% for the six months ended June 30, 2013 from 3.7% for the six months ended June 30, 2012. The increase in operating income, as a percentage of revenues, in the C&I segment was primarily attributable to an overall increase in margins on projects of all sizes.

Non-GAAP Measure EBITDA

EBITDA, a performance measure used by management, is defined as net income plus: interest income and expense, provision for income taxes and depreciation and amortization, as shown in the following table. EBITDA, a non-GAAP financial measure, does not purport to be an alternative to net income as a measure of operating performance or to net cash flows provided by operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly-titled measures of other companies. We use, and we believe investors benefit from the presentation of, EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our financial statements in evaluating our operating performance and cash flow because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, book lives placed on assets, capital structure and the method by which assets were acquired.

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Using EBITDA as a performance measure has material limitations as compared to net income, or other financial measures as defined under U.S. GAAP as it excludes certain recurring items which may be meaningful to investors. EBITDA excludes interest expense or interest income; however, as we have borrowed money in order to finance transactions and operations, or invested available cash to generate interest income, interest expense and interest income are elements of our cost structure and can affect our ability to generate revenue and returns for our stockholders. Further, EBITDA excludes depreciation and amortization; however, as we use capital and intangible assets to generate revenues, depreciation and amortization are a necessary element of our costs and ability to generate revenue. Finally, EBITDA excludes income taxes; however, as we are organized as a corporation, the payment of taxes is a necessary element of our operations. As a result of these exclusions from EBITDA, any measure that excludes interest expense, interest income, depreciation and amortization and income taxes has material limitations as compared to net income. When using EBITDA as a performance measure, management compensates for these limitations by comparing EBITDA to net income in each period, so as to allow for the comparison of the performance of the underlying core operations with the overall performance of the company on a full-cost, after tax basis. Using both EBITDA and net income to evaluate the business allows management and investors to (a) assess our relative performance against our competitors, and (b) monitor our capacity to generate returns for our stockholders.

The following table provides a reconciliation of net income to EBITDA:

	Three months ended June 30,		**Six months ended June 30,**	
(In thousands)	**2013**	**2012**	**2013**	**2012**
Net Income	$ 9,462	$ 9,535	$ 16,422	$ 15,745
Add:				
Interest expense, net	179	203	359	385
Provision for income taxes	5,699	5,887	9,954	9,696
Depreciation & amortization	7,149	6,130	14,112	11,914
EBITDA	$ 22,489	$ 21,755	$ 40,847	$ 37,740

We also use EBITDA as a liquidity measure. We believe that EBITDA is important in analyzing our liquidity because it is a key component of certain material covenants contained within our credit facility (the "Credit Agreement"). Non-compliance with these financial covenants under the Credit Agreement our interest coverage ratio and our leverage ratio could result in our lenders requiring us to immediately repay all amounts borrowed. If we anticipated a potential covenant violation, we would seek relief from our lenders, likely causing us to incur additional cost, and such relief might not be available, or if available, might not be on terms as favorable as those in the Credit Agreement. In addition, if we cannot satisfy these financial covenants, we would be prohibited under the Credit Agreement from engaging in certain activities, such as incurring additional indebtedness, making certain payments, and acquiring or disposing of assets. Based on the information above, management believes that the presentation of EBITDA as a liquidity measure would be useful to investors and relevant to their assessment of our capacity to service, or incur, debt.

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The following table provides a reconciliation of EBITDA to net cash flows provided by operating activities:

(In thousands)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Provided By Operating Activities:				
EBITDA	$ 22,489	$ 21,755	$ 40,847	$ 37,740
Add/(subtract):				
Interest expense, net	(179)	(203)	(359)	(385)
Provision for income taxes	(5,699)	(5,887)	(9,954)	(9,696)
Depreciation & amortization	(7,149)	(6,130)	(14,112)	(11,914)
Adjustments to reconcile net income to net cash flows provided by operating activities	7,761	6,618	15,331	13,003
Changes in operating assets and liabilities	8,253	6,002	6,217	(18,601)
Net cash flows provided by operating activities	$ 25,476	$ 22,155	$ 37,970	$ 10,147

Liquidity and Capital Resources

As of June 30, 2013, we had cash and cash equivalents of $37.6 million and working capital of $100.6 million. The Company defines working capital as current assets less current liabilities. During the six months ended June 30, 2013, consolidated operating activities of our business provided net cash of $38.0 million, a substantial increase over the $10.1 million of cash provided in the six months ended June 30, 2012. Cash flow from operations is primarily influenced by demand for our services, operating margins, timing of contract performance and the type of services we provide our customers. In the six months ended June 30, 2013, we used net cash in investing activities of $21.4 million, including $21.9 million used for capital expenditures partially offset by $0.5 million of proceeds from the sale of property and equipment. Our financing activities generated $1.2 million of cash, primarily from employee stock transactions and the related tax benefits.

The changes in various working capital accounts (such as: accounts receivable, including retention; costs and estimated earnings in excess of billings on uncompleted contracts; accounts payable; and billings in excess of costs and estimated earnings on uncompleted contracts) are due to normal timing fluctuations in our operating activities. In particular, the gross amount of accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, accounts payable and billings in excess of costs and estimated earnings on uncompleted contracts provided cash of $10.1 million in the six months ended June 30, 2013, compared to using cash of $22.1 million in the same period of 2012. In 2012, we experienced higher working capital needs because we had several large projects in the early stages of construction, and cash was used for personnel, equipment, supplies and other project costs prior to cash flow being received from the customer. In the six months ended June 30, 2013, those large projects had progressed, and, as typically happens as projects move through the construction cycle, the working capital needs decreased as cash flow from the customers exceeded cash outlaid for operating expenses. Costs and estimated earnings in excess of billings on uncompleted contracts provided $24.9 million in cash in the six months ended June 30, 2013, compared to using $10.5 million in cash in the six months ended June 30, 2012.

We anticipate that our cash and cash equivalents on hand, our $155.3 million borrowing availability under our credit facility, and our future cash flow from operations will provide sufficient cash to enable us to meet our future operating needs, debt service requirements, planned capital expenditures, strategic acquisition and joint venture opportunities, and the stock repurchase plan. We expect that our capital spending in 2013 will be similar to our 2012 capital spending. Although we believe that we have

adequate cash and availability under our credit facility to meet our liquidity needs, our involvement in any large projects or acquisitions may require additional capital.

Debt Instruments

On December 21, 2011, we entered into a five-year syndicated credit agreement for an initial facility of $175.0 million. The entire facility is available for revolving loans and the issuance of letters of credit and up to $25.0 million of the facility is available for swingline loans. We have the option to increase the commitments under the Credit Agreement or enter into incremental term loans, subject to certain conditions, by up to an additional $75.0 million upon receipt of additional commitments from new or existing lenders.

Revolving loans under the Credit Agreement bear interest, at our option, at either (1) ABR, which is the greatest of the Prime Rate, the Federal Funds Effective Rate plus 0.50% or adjusted LIBOR plus 1.00%, plus in each case an applicable margin ranging from 0.00% to 1.00%; or (2) adjusted LIBOR plus an applicable margin ranging from 1.00% to 2.00%. The applicable margin is determined based on our leverage ratio. Letters of credit issued under the Credit Agreement are subject to a letter of credit fee of 1.00% to 2.00%, based on our leverage ratio and a fronting fee of 0.125%. Swingline loans will bear interest at the ABR Rate. We are required to pay a 0.2% commitment fee on the unused portion of the credit facility.

Subject to certain exceptions, the Credit Agreement is secured by substantially all of our assets and the assets of all of our subsidiaries and by a pledge of all of the capital stock of our subsidiaries. Our subsidiaries also guarantee the repayment of all amounts due under the Credit Agreement. The Credit Agreement provides for customary events of default. If an event of default occurs and is continuing, on the terms and subject to the conditions set forth in the Credit Agreement, amounts outstanding under the Credit Agreement may be accelerated and may become or be declared immediately due and payable.

Under the Credit Agreement, we are subject to certain financial covenants, a leveraged debt ratio and a minimum interest coverage ratio and we were in compliance at June 30, 2013. The Credit Agreement also contains a number of covenants including limitations on asset sales, investments, indebtedness and liens.

As of June 30, 2013 and December 31, 2012, we had no debt outstanding and approximately $19.7 million in letters of credit outstanding under the facility at an interest rate of 1.13%. As of June 30, 2013, we had $155.3 million available for borrowing under the Credit Agreement.

Off-Balance Sheet Transactions

As is common in our industry, we enter into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected on our balance sheets. Our significant off-balance sheet transactions include liabilities associated with non-cancelable operating leases, letter of credit obligations and surety guarantees entered into in the normal course of business. We have not engaged in any off-balance sheet financing arrangements through special purpose entities.

For a discussion regarding off-balance sheet transactions, refer to Note 5. "Commitments and Contingencies" in the accompanying Notes to Consolidated Financial Statements.

Concentration of Credit Risk

We grant trade credit under normal payment terms, generally without collateral, to our customers, which include high credit quality electric utilities, governmental entities, general contractors and builders, owners and managers of commercial and industrial properties located in the United States. Consequently, we are subject to potential credit risk related to changes in business and economic

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factors throughout the United States. However, we generally have certain statutory lien rights with respect to services provided. Under certain circumstances such as foreclosures or negotiated settlements, we may take title to the underlying assets in lieu of cash in settlement of receivables. As of June 30, 2013, one customer individually exceeded 10.0% of consolidated accounts receivable with approximately 12.3% of the total consolidated accounts receivable amount (excluding the impact of allowance for doubtful accounts). As of June 30, 2012, one customer individually exceeded 10.0% of consolidated accounts receivable with approximately 14.8% of the total consolidated accounts receivable amount (excluding the impact of allowance for doubtful accounts). Management believes the terms and conditions in its contracts, billing and collection policies are adequate to minimize the potential credit risk.

New Accounting Pronouncements

For a discussion regarding new accounting pronouncements, please refer to Note 1. "Organization, Business and Basis of Presentation Recently Issued Accounting Pronouncements" in the accompanying Notes to Consolidated Financial Statements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates. For further information regarding our critical accounting policies and estimates, please refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies" included in our 2012 Annual Report.

Cautionary Statement Concerning Forward-Looking Statements and Information

We are including the following discussion to inform you of some of the risks and uncertainties that can affect our company and to take advantage of the protections for forward-looking statements that applicable federal securities law affords.

Various statements contained in this quarterly report on Form 10-Q are forward-looking statements, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact. The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenue, income and capital spending. Our forward-looking statements are generally accompanied by words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "objective," "outlook," "plan," "project," "possible," "potential," "should" or other words that convey the uncertainty of future events or outcomes. The forward-looking statements in this quarterly report on Form 10-Q speak only as of the date of this quarterly report on Form 10-Q. We disclaim any obligation to update these statements (unless required by securities laws), and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including those discussed in Item 1A "Risk Factors" in our 2012 Annual Report, may cause our actual results, performance or achievements to differ

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materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

These risks, contingencies and uncertainties include, but are not limited to, the following:

- Our operating results may vary significantly from period to period.
- Our industry is highly competitive.
- We may be unsuccessful in generating internal growth.
- Negative economic and market conditions, as well as regulatory and environmental requirements, may adversely impact our customers' future spending and, as a result, our operations and growth.
- Project performance issues, including those caused by third parties, or certain contractual obligations may result in additional costs to us, reductions or delays in revenues or the payment of liquidated damages.
- Our business is labor intensive and we may be unable to attract and retain qualified employees.
- The timing of new contracts and termination of existing contracts may result in unpredictable fluctuations in our cash flows and financial results.
- Backlog may not be realized or may not result in profits.
- Our business growth could outpace the capability of our internal resources.
- We may depend on subcontractors to assist us in providing certain services.
- We may depend on customers or suppliers to procure material for our projects.
- Our participation in joint ventures and other projects with third parties may expose us to liability for failures of our partners.
- Legislative actions and initiatives relating to electricity transmission and renewable energy may not result in increased demand for our services.
- Our use of percentage-of-completion accounting could result in a reduction or reversal of previously recognized profits.
- Our actual costs may be greater than expected in performing our fixed-price and unit-price contracts.
- Our financial results are based upon estimates and assumptions that may differ from actual results.

The loss of a key customer could have an adverse affect on us.

Our failure to comply with environmental and other laws and regulations could result in significant liabilities.

Unavailability or cancellation of third party insurance coverage would increase our overall risk exposure as well as disrupt our operations.

The nature of our business exposes us to warranty claims, which may reduce our profitability.

We may incur liabilities or suffer negative financial or reputational impacts relating to occupational health and safety matters.

We extend trade credit to customers for purchases of our services, and may have difficulty collecting receivables from them.

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We may not be able to compete for or work on certain projects if we are not able to obtain surety bonds.

Inability to hire or retain key personnel could disrupt business.

Work stoppages or other labor issues with our unionized workforce could adversely affect our business.

Multi-employer pension plan obligations related to our unionized workforce could adversely impact our earnings.

Our business may be affected by seasonal and other variations, including severe weather conditions.

We may not have access in the future to sufficient funding to finance desired growth and operations.

We are subject to risks associated with climate change.

Our operations are subject to a number of operational risks which may result in unexpected costs or liabilities.

Opportunities associated with government contracts could lead to increased governmental regulation applicable to us.

We may fail to integrate future acquisitions successfully.

Our results of operations could be adversely affected as a result of the impairment of goodwill or intangible assets.

We, or our business partners, may be subject to breaches of information technology systems, which could affect our competitive position or damage our reputation.

Provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our company.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2013, we were not party to any derivative instruments. We did not use any material derivative financial instruments during the six months ended June 30, 2013 and 2012, including trading or speculation on changes in interest rates or commodity prices of materials used in our business.

As of June 30, 2013, we had no borrowings outstanding under the Credit Agreement. Borrowings under the Credit Agreement are based upon an interest rate that will vary depending upon the prime rate, federal funds rate and LIBOR. If we had borrowings outstanding under the Credit Agreement and if the prime rate, federal funds rate or LIBOR rose, our interest payment obligations on outstanding borrowings would increase and have a negative effect on our cash flow and financial condition. We currently do not maintain any hedging contracts that would limit our exposure to variable rates of interest when we have outstanding borrowings.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e) as of the end of the period covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and

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Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2013.

Changes in Internal Control Over Financial Reporting

During the period covered by this report, there were no changes in our internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For further discussion regarding legal proceedings, please refer to Note 5, "Commitments and Contingencies Litigation and Other Legal Matters" in the accompanying Notes to Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

As of the date of this filing, there have been no material changes to the risk factors previously discussed in Item 1A to our 2012 Annual Report. An investment in our common stock involves various risks. When considering an investment in our company, you should carefully consider all of the risk factors described in our 2012 Annual Report. These risks and uncertainties are not the only ones facing us and there may be additional matters that are not known to us or that we currently consider immaterial. These risks and uncertainties could adversely affect our business, financial condition or future results and, thus, the value of our common stock and any investment in our company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuances of Common Stock. During the three months ended June 30, 2013, 2,704 shares of unregistered stock, valued at $55,946 were issued to three directors of the Company who elected to receive a portion of their annual director retainer fee in stock in lieu of cash.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Number	Description
31.1	Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350
101.1	The following materials from MYR Group's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at June 30, 2013 and December 31, 2012; (ii) the Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012; (iii) the Consolidated Statements of Cash Flows for the three and six months ended June 30, 2013 and 2012; (iv) Notes to Consolidated Financial Statements, tagged as blocks of text; and (v) document and entity information.*

Filed herewith

*

Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101.1 hereto are deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURE

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

MYR GROUP INC.
(Registrant)

August 7, 2013

/s/ PAUL J. EVANS

Vice President, Chief Financial Officer and Treasurer

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