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

FORM 10-Q/A

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 31, 1998

OR

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

For the transition period from_____to_____.

Commission File No. 1-13783

INTEGRATED ELECTRICAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	76-0542208
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

515 Post Oak Boulevard
Suite 450
Houston, Texas 77027-9408
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (713) 860-1500

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 [X] No [ ]

The number of shares outstanding as of February 11, 1999, of the issuer's common stock was 29,925,269 and of the issuer's restricted voting common stock was 2,655,709.

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

INTRODUCTION

The following should be read in conjunction with the response to Part I, Item 1 of this Report. Any capitalized terms used but not defined in this Item have the same meaning given to them in Part I, Item 1. This report on Form 10-Q includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on the Company's expectations and involve risks and uncertainties that could cause the Company's actual results to differ materially from those set forth in the statements. Such risks and uncertainties include, but are not limited to, the ability to successfully consummate acquisitions, fluctuations in operating results because of acquisitions and seasonality, national and regional industry and economic conditions, competition and risks entailed in the operation and growth of existing and newly acquired businesses. The foregoing and other factors are discussed in the Company's Annual Report on Form 10-K for the year ended September 30, 1998 filed with the SEC.

Because of the significant effect of the acquisitions of the Founding Companies (excluding Houston Stafford) and the acquisitions of the Purchased Companies on the Company's results of operations, the Company's historical results of operations and period-to-period comparisons will not be indicative of future results and may not be meaningful. The Company plans to continue acquiring businesses in the future. The integration of acquired electrical contracting and maintenance businesses and the addition of management personnel to support existing and future acquisitions may positively or negatively affect the Company's results of operations during the period immediately following acquisition.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 1997 COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 1998

The following table presents selected historical financial information for the three months ended December 31, 1997 and 1998. The historical results of operations presented below include the results of operations of Houston-Stafford and the Pooled Company for the three months ended December 31, 1997. The results of operations of the Company for the three months ended December 31, 1998, includes the results of operations for all Purchased Companies owned by IES at October 1, 1998, and the Purchased Companies acquired during the three months ended December 31, 1998, beginning on their respective dates of acquisition. See Overview and Basis of Presentation for Financial Statements for further discussion.

	Three Months Ended December 31,			
	1997	%	1998	%
	(dollars in thousands)			
Revenues	$ 31,799	100.0 %	$ 197,712	100.0 %
Cost of services	25,262	79.4 %	156,745	79.3 %
Gross profit	6,537	20.6 %	40,967	20.7 %
Selling, general & administrative expenses	7,718	24.3 %	21,841	11.0 %
Goodwill amortization	--	-- %	1,848	1.0 %
Operating income (loss)	$ (1,181)	(3.7)%	$ 17,278	8.7 %

REVENUES. Revenues increased $165.9 million, or 522%, from $31.8 million for the three months ended December 31, 1997, to $197.7 million for the three months ended December 31, 1998. The increase in revenues is principally due to the acquisitions of the Founding Companies (excluding Houston Stafford) and the acquisitions of the Purchased Companies.

GROSS PROFIT. Gross profit increased $34.5 million, or 527%, from $6.5 million for the three months ended December 31, 1997, to $41.0 million for the three months ended December 31, 1998. The increase in gross profit was principally due to the acquisitions of the Founding Companies (excluding Houston-Stafford) and the acquisitions of the Purchased Companies. As a percentage of revenues, gross profit increased from 20.6% in 1997 to 20.7% in 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $14.1 million, or 183%, from $7.7 million for the three months ended December 31, 1997, to $21.8 million for the three months ended December 31, 1998. This increase in selling, general and administrative expenses was primarily attributable to the acquisitions of the Founding Companies (excluding Houston-Stafford) and the acquisitions of the Purchased Companies, a non-recurring $4.4 million bonus paid to the owners of Houston-Stafford during the three months ended December 31, 1997 prior to the Company's IPO and corporate costs incurred in 1998 associated with being a public company which did not exist in 1997. Excluding such bonuses and higher corporate costs, selling, general and administrative expenses as a percentage of revenues decreased from 10.4% in 1997 to 10.0% in 1998.

OPERATING INCOME. Operating income increased $18.5 million, or 1,563%, from $(1.2) million for the three months ended December 31, 1997, to $17.3 million for the three months ended December 31, 1998. This increase in operating income is primarily attributed to the Founding Company Acquisitions (excluding Houston-Stafford) and the acquisitions of the Purchased Companies, the non-recurring owner bonuses in 1997, and partially offset by higher corporate costs discussed above. As a percentage of revenues, operating income (excluding the owner bonuses and higher corporate costs noted above) decreased from approximately 10.1% in 1997 to 9.8% in 1998.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 1998, the Company had cash of $4.0 million, working capital of $77.8 million, $89.0 million of outstanding borrowings under its Credit Facility, $2.4 million of letters of credit outstanding, and available capacity under its Credit Facility of $83.6 million.

During the three months ended December 31, 1998, the Company generated $0.9 million of net cash from operating activities. Net cash used in investing activities was $9.3 million including $7.5 million used for the purchase of businesses. Net cash flows used in financing activities was $2.1 resulting primarily from borrowings under the Company's Credit Facility.

On August 7, 1998, the Company increased its three-year revolving credit facility from $70.0 million to $175.0 million (the "Credit Facility"). The Credit Facility will be used for working capital, capital expenditures, other corporate purposes and acquisitions. The amounts borrowed under the Credit Facility bear interest at an annual rate equal to either (a) the London interbank offered rate ("LIBOR") plus 1.0% to 2.0%, as determined by the ratio of the Company's total funded debt to EBITDA (as defined), or (b) the higher of (i) the bank's prime rate and (ii) the Federal Funds rate plus 0.5%, plus up to an additional 0.5% as determined by the ratio of the Company's total funded debt to EBITDA. Commitment fees of 0.25% to 0.375%, as determined by the ratio of the Company's total funded debt to EBITDA, are due on any unused borrowing capacity under the Credit Facility. The Company's subsidiaries have guaranteed the repayment of all amounts due under the facility, and the facility is secured by the capital stock of the guarantors and the accounts receivable of the Company and the guarantors. The Credit Facility requires the consent of the lenders for acquisitions exceeding a certain level of cash consideration, prohibits the payment of cash dividends on the Company's common stock, restricts the ability of the Company to incur other indebtedness and requires the Company to comply with certain financial covenants. Availability of the Credit Facility is subject to customary drawing conditions.

On January 25, 1999, the Company completed its offering of $150 million Senior Subordinated Notes (the "Notes"). The Notes bear interest at 9 3/8% and will mature on February 1, 2009. The Company will pay interest on the Notes on February 1 and August 1 of each year, commencing August 1, 1999. The Notes are unsecured Senior Subordinated obligations and are subordinated to all existing and future senior indebtedness. The Notes are guaranteed on a senior subordinated basis by all of the Company's subsidiaries. Under the terms of the Notes, the Company is required to comply with various affirmative and negative covenants including: (i) restrictions on additional indebtedness, and (ii) restrictions on liens, guarantees and dividends.

The net proceeds to the Company after the offering of the Notes was approximately $144 million after deducting underwriting commissions and offering expenses. The Company used a portion of the proceeds from the Notes to repay indebtedness outstanding on its Credit Facility. As of February 12, 1999, the Company has available borrowing capacity under its Credit Facility of approximately $172.6 million.

The Company anticipates that its existing cash, cash flow from operations and proceeds from its Credit Facility and the Notes will provide sufficient cash to enable the Company to meet its working capital needs, debt service requirements and planned capital expenditures for property and equipment through 1999.

Through February 11, 1999, the Company utilized a combination of cash and its common stock to acquire 32 companies and the Founding Companies with total annualized 1998 revenues of approximately $860.0 million. The cash component of the consideration paid for these companies was funded with existing cash and borrowings under its bank credit facility.

The Company intends to continue to pursue acquisition opportunities. The timing, size or success of any acquisition effort and the associated potential capital commitments cannot be predicted. The Company expects to fund future acquisitions primarily with working capital, cash flow from operations and borrowings, including any unborrowed portion of the Credit Facility, as well as issuances of additional equity. To the extent the Company funds a significant portion of the consideration for future acquisitions with cash, it may have to increase the amount of the Credit Facility or obtain other sources of financing, including the issuance of additional debt or equity. Capital expenditures for equipment and expansion of facilities are expected to be funded from cash flow from operations and supplemented as necessary by borrowings under the Credit Facility.

SEASONALITY AND QUARTERLY FLUCTUATIONS

The Company's results of operations from residential construction are seasonal, depending on weather trends, with typically higher revenues generated during the spring and summer and lower revenues during the fall and winter. The commercial and industrial aspect of the Company's business is less subject to seasonal trends, as this work generally is performed inside structures protected from the weather. The Company's service business is generally not affected by seasonality. In addition, the construction industry has historically been highly cyclical. The Company's volume of business may be adversely affected by declines in construction projects resulting from adverse regional or national economic conditions. Quarterly results may also be materially affected by the timing of new construction projects and acquisitions and the timing and magnitude of acquisition assimilation costs. Accordingly, operating results for any fiscal period are not necessarily indicative of results that may be achieved for any subsequent fiscal period.

RECENT ACCOUNTING PRONOUNCEMENTS

On October 1, 1998, the Company adopted SFAS No. 130 "Reporting Comprehensive Income," which requires the display of comprehensive income and its components in the financial statements. Comprehensive income represents all changes in equity of an entity during the reporting period, including net income and charges directly to equity which are excluded from net income. There was no difference between the Company's "traditional" and "comprehensive" net income.

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," which establishes standards for the way public enterprises are to report information about operating segments in annual financial statements and requires the reporting of selected information about operating systems in interim financial reports issued to shareholders. SFAS No. 131 is effective for the Company for its year ended September 30, 1999, at which the time the Company will adopt the provision. The Company is currently evaluating the impact on the Company's financial disclosures but they do not believe that they will be significant.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which becomes effective for the Company for its year ended September 30, 2000. SFAS No. 133 requires a company to recognize all derivative instruments (including certain derivative instruments embedded in other contracts) as assets or liabilities in its balance sheet and measure them at fair value. The statement requires that changes in the derivatives' fair value be recognized as current earnings unless specific hedge accounting criteria are met. The Company is evaluating SFAS No. 133 and the impact on existing accounting policies and financial reporting disclosures. However, the Company has not to date engaged in activities or entered into arrangements normally associated with derivative instruments.

YEAR 2000

Year 2000 Issue. Many software applications, hardware and equipment and embedded chip systems identify dates using only the last two digits of the year. These products may be unable to distinguish between dates in the year 2000 and dates in the year 1900. That inability (referred to as the "Year 2000" issue), if not addressed, could cause applications, equipment or systems to fail or provide incorrect information after December 31, 1999, or when using dates after December 31, 1999. This in turn could have an adverse effect on the Company due to the Company's direct dependence on its own applications, equipment and systems and indirect dependence on those of other entities with which the Company must interact.

Risk of Non-Compliance and Contingency Plans. The major applications which pose the greatest Year 2000 risks for the Company if implementation of the Year 2000 compliance program is not successful are the Company's project estimating and management systems, and its financial systems applications, including related third-party software. Potential problems if the Year 2000 compliance program is not successful could include disruptions of the Company's revenue generation and collection from its customers and purchasing and payments to its vendors and the inability to perform its other financial and accounting functions. The Company operates on a decentralized basis with each individual reporting unit having independent information technology (IT) and non-IT systems. The Company's most significant reporting units represent in excess of 50% of the Company's total revenue. The Company's Year 2000 compliance program is focused on the systems which could materially affect its business. The Company has completed a preliminary assessment of its significant operating units and believes that the systems at these companies are or will shortly be Year 2000 compliant. The Company currently has assessed its remaining Year 2000 risk as low because:

- the Company is not dependent on any key customers or suppliers (none represent as much as 5% of the companies sales or purchases, respectfully),

- the Company has many separate PC based systems and is not dependent on any one system,

- many of the Company's processes are performed using spreadsheets and/or other manual processes which are not technologically dependent,

- the Company performs construction and service maintenance on site for its customers, the work performed is manual in nature and not dependent on automated information technology systems to be completed, and

- the Company currently believes that most of its systems that have Year 2000 compliance issues are based on prepackaged third-party software that can be upgraded at nominal costs through vendor supported upgrades.

As a result, the Company believes that its reasonably likely worst case Year 2000 scenario is a temporary inability for it to process the accounting transactions representing its business activity using automated information systems at certain of its operating units.

The goal of the Company's Year 2000 project is to ensure that all of the critical systems and processes which are under the direct control of the Company remain functional. However, because certain systems and processes may be interrelated with systems outside of the control of the Company, there can be no assurance that all implementations will be successful. Accordingly, as part of the Year 2000 project, contingency and business plans are in the process of being developed to respond to potential failures that may occur. Such contingency and business plans are scheduled to be completed by the fourth quarter of fiscal 1999. To the extent appropriate, such plans will include emergency back up and recovery procedures, remediation of existing systems with system upgrades or installation of new systems and replacing electronic applications with manual processes. Due to the uncertain nature of contingency planning, there can be no assurances that such plans actually will be sufficient to reduce the risk of material impacts on the Company's operations due to Year 2000 issues. The Company has ongoing information systems development and implementation projects, none of which have experienced delays due to its Year 2000 compliance program.

Compliance Program. In order to address the Year 2000 issue, the Company has established a project team to assure that key automated systems and related processes will remain functional through year 2000. The team is addressing the project in the following stages: (i) awareness, (ii) assessment, (iii) remediation, (iv) testing and (v) implementation of the necessary modifications. The key automated systems consist of (a) project estimating, management and financial systems applications, (b) hardware and equipment, (c) embedded chip systems and (d) third-party developed software. The evaluation of the Year 2000 issue includes the evaluation of the Year 2000 exposure of third parties material to the operations of the Company. The Company has retained a Year 2000 consulting firm to assist with the review of its systems for Year 2000 issues.

Company State of Readiness. The awareness phase of the Year 2000 project has begun with a corporate-wide awareness program which will continue to be updated throughout the life of the project. The Company believes that there is not a material risk related to its non-IT systems because the Company is primarily a manual service provider and does not rely on these types of systems. The assessment phase of the project involves for both IT and non-IT systems, among other things, efforts to obtain representations and assurances from third parties, including third party vendors, that their hardware and equipment, embedded chip systems and software being used by or impacting the Company or any of its business units are or will be modified to be Year 2000 compliant. To date, the Company does not expect that responses from such third parties will be conclusive. However, because the Company is not dependent on any key customers or suppliers, the Company does not believe that a disruption in service with any third party would have a material adverse effect on its business, results of operations or financial condition. The remediation phase involves identifying the changes which are required to be implemented by system for them to be Year 2000 compliant. The testing and implementation phases involve verifying that the identified changes address the Year 2000 problems identified through testing the system as part of implementing such changes. Management expects that the remediation, testing and implementation phases will be substantially completed during the third and fourth Quarters of Fiscal 1999.

Costs to Address Year 2000 Compliance Issues. While the total cost to the Company of the Year 2000 project is still being evaluated, management currently estimates that the costs to be incurred by the Company in 1999 associated with the assessing and testing applications, hardware and equipment, embedded chip systems, and third party developed software will be less than $300,000, which will be funded with existing operating cash flows and the Company will deduct from income as incurred. The Company believes that software vendor Year 2000 releases should address the majority of the Company's Year 2000 issues. To date, the Company has expended approximately $20,000 related to its Year 2000 compliance. These costs were primarily related to the assessment phase of the project. The Company expects that the majority of its costs related to the Year 2000 project to be incurred in the third and fourth quarters of its 1999 fiscal year. Because the Company's internal systems are PC-based, management does not expect the costs to the Company of the Year 2000 project to have a material adverse effect on the Company's financial position, results of operations or cash flows.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on March 16, 1999.

INTEGRATED ELECTRICAL SERVICES, INC.

By: /s/ J. Paul Withrow
J. Paul Withrow
Vice President and
Chief Accounting Officer