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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 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 May 11, 1998, of the issuer's common stock was 22,150,025 and of the issuer's restricted voting common stock was 2,655,709.

INTEGRATED ELECTRICAL SERVICES, INC.

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PART I. FINANCIAL INFORMATION

INTEGRATED ELECTRICAL SERVICES, INC.

OVERVIEW AND BASIS OF PRESENTATION FOR FINANCIAL STATEMENTS

Integrated Electrical Services, Inc. ("IES" or the "Company"), a Delaware corporation, was founded in June 1997 to create a leading national provider and consolidator of electrical contracting and maintenance services, focusing primarily on the commercial, industrial and residential markets. On January 30, 1998, concurrent with the closing of its initial public offering of stock, IES acquired, in separate transactions (collectively, the "Acquisitions"), for consideration including $53.4 million of cash and 12,313,025 shares of Common Stock, the following 16 companies and related entities engaged in all facets of electrical contracting and maintenance services: Houston-Stafford Electric, Inc. and Stark Investments, Inc., (such two companies, collectively, "Houston-Stafford"), Mills Electrical Contractors, Inc., BW Consolidated, Inc., including Bexar Electric Company, Ltd., and Calhoun Electric Company, Ltd., Pollock Electric Inc., Muth Electric, Inc., Daniel Electrical Contractors, Inc. and Daniel Electrical of Treasure Coast Inc., Amber Electric, Inc., Charles P. Bagby, Co., Inc. and General Partner, Inc., Summit Electric of Texas, Incorporated, Thurman & O'Connell Corporation, Rodgers Electric Company, Inc., Hatfield Electric, Inc., Ace Electric, Inc., Reynolds Electric Corp. and Thomas Popp & Company (the foregoing companies referred to herein as the "Founding Companies").

Pursuant to the Securities and Exchange Commission's ("SEC") Staff Accounting Bulletin No. 97 ("SAB 97"), Houston-Stafford due to its significance is for accounting purposes considered the entity which acquired the other Founding Companies (the "Accounting Acquirer"). As such, the Company's actual results of operations include the results of operations of Houston-Stafford only for periods through January 30, 1998, and all the Founding Companies beginning February 1, 1998. Houston-Stafford's results of operations through January 30, 1998, include for financial statement presentation purposes a non-cash, non-recurring compensation charge of approximately $17.0 million required by the SEC in connection with the Acquisitions and related to a note receivable and rights held by an officer of Houston-Stafford which was exchanged for cash and shares of IES common stock. IES had not conducted any revenue generating activities of its own prior to such time. For the period from inception through January 31, 1998, all of IES's activity related to the completion of its initial public offering of common stock (the "Offering") and the Acquisitions.

The unaudited pro forma combined financial information for the six and three months ended March 31, 1997 and 1998, includes the effects at the beginning of each period presented of (a) the Acquisitions, (b) the Offering (including the underwriters exercise of their overallotment option), (c) the reversal of Houston-Stafford's non-cash, non-recurring compensation charge of approximately $17.0 million related to the Acquisitions as noted above, (d) certain reductions in salaries and benefits to the former owners of the Founding Companies which they agreed would take effect as of the effective date of the Acquisitions, (e) amortization of goodwill resulting from the Acquisitions, (f) reduction in interest income, and (g) additional interest expense on borrowings of $6.4 million to fund certain S corporation distributions.

The unaudited pro forma combined statements of operations are presented herein because the Company believes certain investors find the information useful. This statement should be read in conjunction with the Company's historical unaudited financial statements and notes thereto included under Part I, Item 1 of the Form 10-Q for the quarterly reporting period ended March 31, 1998. The pro forma adjustments are based on estimates, available information and certain assumptions which may be revised as additional information becomes available. The unaudited pro forma combined statements of operations do not purport to represent what the Company's consolidated results of operations would actually have been if such transactions had in fact occurred on those dates and are not necessarily representative of the Company's results of operations for any future period. Since the companies acquired were not under common control or management, historical consolidated results may not be comparable to, or indicative of, future performance.

INTEGRATED ELECTRICAL SERVICES, INC.

PRO FORMA COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Six Months Ended March 31, 1997	Six Months Ended March 31, 1998
Revenues	$ 147,506	$ 173,363
Cost of services	115,544	134,903
Gross profit	31,962	38,460
Selling, general & administrative expenses	18,119	20,891
Goodwill amortization	1,924	1,908
Operating income	11,919	15,661
Other (income)/expense:		
Interest expense	506	430
Interest income	--	(182)
(Gain)/loss on sale of asset	--	24
Other (income)/expense, net	(378)	(91)
	128	181
Income before income taxes	11,791	15,480
Income tax provision	5,276	6,736
Net income	$ 6,515	$ 8,744
Basic earnings per share	$ 0.27	$ 0.36
Diluted earnings per share	$ 0.27	$ 0.36
Shares used in the pro forma computation of earnings per share (Note 4)---		
Basic-	24,415,336	24,415,336
Diluted-	24,535,336	24,604,197

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

INTEGRATED ELECTRICAL SERVICES, INC.

PRO FORMA COMBINED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1998
Revenues	$ 71,128	$ 87,021
Cost of services	56,851	67,763
Gross profit	14,277	19,258
Selling, general & administrative expenses	8,051	10,220
Goodwill amortization	962	946
Operating income	5,264	8,092
Other (income)/expense:		
Interest expense	289	213
Interest income	--	(182)
(Gain)/loss on sale of asset	--	(5)
Other (income)/expense, net	(212)	(91)
	77	(65)
Income before income taxes	5,187	8,157
Income tax provision	2,325	3,505
Net income	$ 2,862	$ 4,652
Basic earnings per share	$ 0.12	$ 0.19
Diluted earnings per share	$ 0.12	$ 0.19
Shares used in the pro forma computation of earnings per share (Note 4)---		
Basic-	24,415,336	24,415,336
Diluted-	24,535,336	24,710,278

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

INTEGRATED ELECTRICAL SERVICES, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	September 30, 1997	March 31, 1998
ASSETS	(Audited)	(Unaudited)
Cash and cash equivalents	$ 2,492	$ 18,284
Accounts receivable, net of allowance of $342 in 1997 and $1,786 in 1998	12,091	65,740
Costs and estimated earnings recognized in excess of billings on uncompleted contracts	934	4,851
Inventories	2,878	4,963
Prepaid and other current assets	568	870
Deferred income taxes	594	1,220
Total current assets	19,557	95,928
Goodwill	958	154,638
Property and equipment, net	2,125	11,752
Other non-current assets	1,830	1,622
Total assets	$ 24,470	$ 263,940
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current maturities of long-term debt	$ 721	$ 458
Accounts payable and accrued expenses	9,549	31,281
Billings in excess of costs and estimated earnings recognized on uncompleted contracts	2,417	13,107
Income taxes payable	1,234	2,615
Other current liabilities	222	1,388
Total current liabilities	14,143	48,849
Long-term debt, net of current maturities	968	6,930
Deferred income taxes	100	365
Other non-current liabilities	1,051	77
Total liabilities	16,262	56,221
Commitments and contingencies		
Stockholders' equity:		
Common stock	32	217
Restricted common stock	--	27
Additional paid-in capital	--	215,649
Retained earnings (deficit)	8,176	(8,174)
Total stockholders' equity	8,208	207,719
Total liabilities and stockholders' equity	$ 24,470	$ 263,940

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

INTEGRATED ELECTRICAL SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended March 31, 1997	Six Months Ended March 31, 1998
Revenues	$ 33,568	$ 89,907
Cost of services	26,259	70,194
Gross profit	7,309	19,713
Selling, general & administrative expenses	5,551	16,274
Non-cash non-recurring compensation charge in connection with the Acquisitions (Note 2)	--	17,036
Goodwill amortization	--	640
Operating income (loss)	1,758	(14,237)
Other (income)/expense:		
Interest (income) expense, net	84	22
Other income, net	(76)	(123)
	8	(101)
Income (loss) before income taxes	1,750	(14,136)
Income tax provision	769	1,326
Net income (loss)	$ 981	$ (15,462)
Basic earnings (loss) per share	$ 0.29	$ (1.51)
Diluted earnings (loss) per share	$ 0.29	$ (1.51)
Shares used in the computation of earnings per share (Note 4)---		
Basic-	3,352,039	10,226,953
Diluted-	3,352,039	10,226,953

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

INTEGRATED ELECTRICAL SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1998
Revenues	$ 16,137	$ 66,056
Cost of services	13,082	51,503
Gross profit	3,055	14,553
Selling, general & administrative expenses	2,145	9,150
Non-cash non-recurring compensation charge in connection with the Acquisitions (Note 2)	--	17,036
Goodwill amortization	--	640
Operating income (loss)	910	(12,273)
Other (income)/expense:		
Interest (income) expense, net	40	(25)
Other income, net	(31)	(94)
	9	(119)
Income (loss) before income taxes	901	(12,154)
Income tax provision	379	2,146
Net income (loss)	$ 522	$ (14,300)
Basic earnings (loss) per share	$ 0.16	$ (0.84)
Diluted earnings (loss) per share	$ 0.16	$ (0.84)
Shares used in the computation of earnings per share (Note 4)---		
Basic-	3,352,039	17,101,867
Diluted-	3,352,039	17,101,867

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

INTEGRATED ELECTRICAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended March 31, 1997	Six Months Ended March 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 981	$ (15,462)
Adjustments to reconcile net income to net cash provided by operating activities --		
Non-cash non-recurring compensation charge (Note 2)	--	17,036
Depreciation and amortization	111	1,082
Gain on sale of property and equipment	(9)	--
Changes in operating assets and liabilities --		
(Increase) decrease in --		
Accounts receivable	(648)	(5,859)
Inventories	(37)	266
Costs and estimated earnings recognized in excess of billings on uncompleted contacts	(61)	601
Prepaid expenses and other current assets	(116)	79
Increase (decrease) in ---		
Accounts payable and accrued expenses	690	(2,255)
Billings in excess of costs and estimated earnings recognized on uncompleted contracts	(358)	2,503
Other current liabilities	(232)	815
Other, net	(54)	(75)
Net cash provided by (used) in operating activities	267	(1,269)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of assets acquired	--	(35,697)
Proceeds from sale of property and equipment	29	82
Additions to property and equipment	(239)	(1,629)
Collections of notes receivable	4	475
Net cash used in investing activities	(206)	(36,769)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of debt	1,655	626
Payments of debt	(1,907)	(20,551)
Distributions to Founding Company stockholders	--	(17,758)
Proceeds from initial public offering	--	91,513
Net cash provided by (used in) financing activities	(252)	53,830
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(191)	15,792
CASH AND CASH EQUIVALENTS, beginning of period	3,691	2,492
CASH AND CASH EQUIVALENTS, end of period	$ 3,500	$ 18,284
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for ---		
Interest	$ 63	$ --
Income taxes	$ 1,204	$ --
Non-cash property distribution	$ --	$ 756

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

INTEGRATED ELECTRICAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 522	$ (14,300)
Adjustments to reconcile net income to net cash provided by operating activities --		
Non-cash non-recurring compensation charge (Note 2)	--	17,036
Depreciation and amortization	32	890
Gain on sale of property and equipment	(11)	(15)
Changes in operating assets and liabilities --		
(Increase) decrease in --		
Accounts receivable	(1,098)	(3,993)
Inventories	(28)	(147)
Costs and estimated earnings recognized in excess of billings on uncompleted contacts	240	(281)
Prepaid expenses and other current assets	18	(331)
Increase (decrease) in ---		
Accounts payable and accrued expenses	727	(448)
Billings in excess of costs and estimated earnings recognized on uncompleted contracts	335	1,770
Other current liabilities	277	1,344
Other, net	(20)	(233)
Net cash provided by operating activities	994	1,292
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of businesses, net of assets acquired	--	(35,697)
Proceeds from sale of property and equipment	17	--
Additions to property and equipment	(91)	(1,406)
Collections of notes receivable	4	--
Net cash used in investing activities	(70)	(37,103)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of debt	850	235
Payments of debt	(956)	(20,551)
Distributions to Founding Company stockholders	--	(17,626)
Proceeds from initial public offering	--	91,513
Net cash provided by (used in) financing activities	(106)	53,571
NET INCREASE IN CASH AND CASH EQUIVALENTS	818	17,760
CASH AND CASH EQUIVALENTS, beginning of period	2,682	524
CASH AND CASH EQUIVALENTS, end of period	$ 3,500	$ 18,284
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for ---		
Interest	$ 40	$ --
Income taxes	$ 54	$ --
Non-cash property distribution	$ --	$ 756

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

INTEGRATED ELECTRICAL SERVICES, INC.

CONDENSED NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. OVERVIEW

The accompanying unaudited condensed historical financial statements of the Company and the accompanying unaudited pro forma combined financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and Article 10 and Article 11 of Regulation S-X, respectively. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and therefore the financial statements included herein should be reviewed in conjunction with the financial statements and related notes thereto contained in the Registration Statement on Form S-1 (No. 333-38715) (the "Registration Statement"), as amended, filed by IES with the Securities and Exchange Commission. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Historical operating results for the six and three months ended March 31, 1998, are not necessarily indicative of the results that may be expected for the year ended September 30, 1998.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There were no significant changes in the accounting policies of the Company, the Accounting Acquirer or the other Founding Companies during the periods presented. For a description of these policies, refer to Note 2 of the Notes to Financial Statements of IES, the Accounting Acquirer and each of the other Founding Companies included in the Registration Statement.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. INITIAL PUBLIC OFFERING, FOUNDING COMPANY ACQUISITIONS, AND NON-CASH, NON-RECURRING COMPENSATION CHARGE

On January 30, 1998, the Company completed its initial public offering of its stock, which involved the sale to the public of 7,000,000 shares of the Company's common stock at $13.00 per share. The Company received net proceeds from the Offering of approximately $78.8 million. Concurrent with the completion of the Offering, IES acquired the Founding Companies for consideration consisting of $53.4 million in cash and 12,313,025 shares of common stock. Additionally, on February 5, 1998, the Company sold 1,050,000 shares of its common stock pursuant to the overallotment option granted to the underwriters in connection with the Offering for net proceeds of approximately $12.7 million. The Company used approximately $7.6 million of the net proceeds from the Offering to retire outstanding third party debt and approximately $16.0 million to pay indebtedness incurred by the Founding Companies for distributions to the owners prior to the Acquisitions. The Company will use the remaining net proceeds for working capital and general corporate purposes, which are expected to include future acquisitions.

The Founding Companies had pro forma combined revenues of $312.7 million for the year ended September 30, 1997. Pursuant to the SEC's SAB 97, Houston-Stafford due to its significance is for accounting purposes considered the entity which acquired the other Founding Companies. As such, the Company's actual results of operations for the six and three months ended March 31, 1997 and 1998, respectively, include the results of operations of Houston-Stafford only for periods through January 30, 1998 (the date of the Acquisitions), and all the Founding Companies beginning February 1, 1998.

Houston-Stafford's results of operations through January 30, 1998, include for financial statement presentation purposes a non-cash, non-recurring compensation charge of approximately $17.0 million required by the SEC in connection with the Acquisitions and related to a note receivable and rights held by an officer of Houston-Stafford which was exchanged for cash and shares of IES Common Stock (see Overview and Basis of Presentation for Financial Statements).

3. LONG-TERM DEBT

The Company has a $70.0 million credit facility with NationsBank of Texas, N.A. as agent (the "Credit Facility"). The Credit Facility matures on January 31, 2001, bears interest at the bank's prime rate or LIBOR, at the Company's option, plus an applicable margin based on the ratio of debt to EBITDA (as defined). An annual commitment fee from 0.25% to 0.375% is payable on any unused portion of 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. As of March 31, 1998, no amounts have been borrowed under the Credit Facility.

The Credit Facility will be used to fund acquisitions, capital expenditures and working capital requirements. Under the terms of the Credit Facility the Company is required to comply with various affirmative and negative covenants including: (i) the maintenance of certain financial ratios, (ii) restrictions on additional indebtedness, and (iii) restrictions on liens, guarantees and dividends.

4. PER SHARE INFORMATION

In October 1997, the Company adopted the provisions of the Financial Accounting Standards Board Statement of Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"). SFAS No. 128 requires the calculation of basic and diluted earnings per share. Basic earnings per share calculations are based on the weighted average number of common shares outstanding. Diluted earnings per share calculations are based on the weighted average number of common shares outstanding and common equivalent shares from the assumed exercise of outstanding stock options.

Upon completion of the Acquisitions, the Offering, and the exercise of the underwriters' overallotment option for 1,050,000 shares, the Company had 21,759,627 shares of its common stock and 2,655,709 shares of its restricted voting common stock issued and outstanding. As of March 31, 1998, the Company had outstanding options to purchase up to a total of (i) approximately 2,746,000 shares of Common Stock issued pursuant to the Company's 1997 Stock Plan, and (ii) 15,000 shares of Common Stock issued pursuant to the Company's 1997 Directors Stock Plan. The shares used to calculate the pro forma and historical earnings per share for the periods presented are summarized as follows:

	Six Months Ended March 31,	
	1997	1998
Pro Forma -		
Weighted average shares outstanding	24,415,336	24,415,336
Weighted average equivalent shares from outstanding stock options	120,000	188,861
	24,535,336	24,604,197
Historical -		
Weighted average shares outstanding	3,352,039	10,226,953

	Three Months Ended March 31,	
	1997	1998
Pro Forma -		
Weighted average shares outstanding	24,415,336	24,415,336
Weighted average equivalent shares from outstanding stock options	120,000	294,942
	24,535,336	24,710,278
Historical -		
Weighted average shares outstanding	3,352,039	17,101,867

The weighted average equivalent shares from outstanding stock options are excluded from the historical earnings (loss) per share calculations for the six and three month periods ended March 31, 1998, because the effect would be anti-dilutive.

5. INVENTORIES

Inventories consist of parts and supplies held for use in the ordinary course of business and are generally valued at the lower of cost or market using the first-in, first-out (FIFO) method.

6. COMMITMENTS AND CONTINGENCIES

Subsidiaries of the Company are involved in various legal proceedings that have arisen in the ordinary course of business. While it is not possible to predict the outcome of such proceedings with certainty, in the opinion of the Company's management, all such proceedings are either adequately covered by insurance or, if not so covered should not ultimately result in any liability which would have a material adverse effect on the financial position, liquidity or results of operations of the Company.

7. SUBSEQUENT EVENTS:

Subsequent to March 31, 1998, the Company completed the acquisitions of Howard Brothers Electric Co., Inc., in Charlotte, NC; Galbraith Electric Co., Inc., in Abilene, TX; Paulin Electric Co., Inc., in Louisville, KY; J.W. Gray Electric Co., in Houston, TX; and Aladdin-Ward Electric, Inc., in Sarasota, FL. All of the acquisitions were accounted for using the purchase method of accounting. These five companies had combined 1997 historical annualized revenues of approximately $42 million.

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 and the Registration Statement. 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, risks associated with 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 Registration Statement.

RESULTS OF OPERATIONS

The pro forma financial information for the six and three months ended March 31, 1997 and 1998, include the effects at the beginning of each period presented of (a) the Acquisitions, (b) the Offering (including the underwriters exercise of their overallotment option), (c) the reversal of Houston-Stafford's non-cash, non-recurring compensation charge of approximately $17.0 million related to the Acquisitions, (d) certain reductions in salaries and benefits to the former owners of the Founding Companies which they agreed would take effect as of the effective date of the Acquisitions, (e) amortization of goodwill resulting from the Acquisitions, (f) reduction in interest income, and (g) additional interest expense on borrowings of $6.4 million that would have been necessary to fund certain S corporation distributions.

The pro forma adjustments are based on estimates, available information and certain assumptions which may be revised as additional information becomes available. The pro forma financial data do not purport to represent what the Company's combined financial position or results of operations would actually have been if such transactions had in fact occurred on those dates and are not necessarily representative of the Company's financial position or results of operations for any future period. Since IES and the Founding Companies were not under common control or management, historical combined results may not be comparable to, or indicative of, future performance.

PRO FORMA COMBINED RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED MARCH 31, 1997 COMPARED TO THE SIX MONTHS ENDED MARCH 31, 1998

The following table presents selected pro forma combined historical financial information for the six months ended March 31, 1997 and 1998. The information presented in the table is in thousands of dollars.

	Six Months Ended March 31,			
	1997	%	1998	%
Revenues	$ 147,506	100%	$ 173,363	100%
Cost of services	115,544	78%	134,903	78%
Selling, general & administrative expenses	18,119	12%	20,891	12%
Goodwill amortization	1,924	2%	1,908	1%
Operating income	$ 11,919	8%	$ 15,661	9%

REVENUES. Pro forma combined revenues increased $25.9 million, or 18%, from $147.5 million for the six months ended March 31, 1997, to $173.4 million for the six months ended March 31, 1998. The increase in combined revenues was principally due to higher demand for commercial services related to high rise condominiums and retail establishments, higher demand for multi-family apartments, increased demand for single-family electrical installation, and the acquisition of an electrical supply company in 1997, which were partially offset by the completion of several large manufacturing and distribution facility projects and the delayed start of several mid-sized commercial projects. The 1997 results were also negatively affected by an abnormally harsh winter in South Dakota and the impact of extended wet weather on residential construction in Texas.

COST OF SERVICES. Pro forma combined cost of services increased $19.4 million, or 17%, from $115.5 million for the six months ended March 31, 1997, to $134.9 million for the six months ended March 31, 1998. The increase in pro forma combined cost of services was principally due to additional variable costs associated with the overall increase in revenues and the acquisition of an electrical supply company noted above. As a percentage of pro forma combined revenues, pro forma combined cost of services remained constant at 78% over the periods presented.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Pro forma combined selling, general and administrative expenses increased $2.8 million or 15% from $18.1 million for the six months ended March 31, 1997, to $20.9 million for the six months ended March 31, 1998. The increase in pro forma combined selling, general and administrative expenses was principally due to additional variable costs associated with the overall increase in revenues and the acquisition of an electrical supply company noted above. As a percentage of pro forma combined revenues, pro forma combined selling, general and administrative expenses remained constant at 12% of revenue for the six months ended March 31, 1997 and 1998, respectively.

OPERATING INCOME. Pro forma combined operating income increased $3.8 million, or 32%, from $11.9 million for the six months ended March 31, 1997, to $15.7 million for the six months ended March 31, 1998. The increase in pro forma combined operating income was attributable to the factors discussed above. As a percentage of pro forma combined revenues, pro forma combined operating income increased from 8% for the six months ended March 31, 1997, to 9% for the six months ended March 31, 1998.

PRO FORMA COMBINED RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 1998

The following table presents selected pro forma combined historical financial information for the three months ended March 31, 1997 and 1998. The information presented in the table is in thousands of dollars.

	Three Months Ended March 31,			
	1997	%	1998	%
Revenues	$ 71,128	100%	$ 87,021	100%
Cost of services	56,851	80%	67,763	78%
Selling, general & administrative expenses	8,051	11%	10,220	12%
Goodwill amortization	962	1%	946	1%
Operating income	$ 5,264	8%	$ 8,092	9%

REVENUES. Pro forma combined revenues increased $15.9 million, or 22%, from $71.1 million for the three months ended March 31, 1997, to $87.0 million for the three months ended March 31, 1998. The increase in combined revenues was principally due to higher demand for commercial services related to high rise condominiums and retail establishments, higher demand for multi-family apartments, increased demand for single-family electrical installation, and the acquisition of an electrical supply company in 1997, which were partially offset by the delayed start of several mid-sized commercial projects. The 1997 results were also negatively affected by an abnormally harsh winter in South Dakota and the impact of extended wet weather on residential construction in Texas.

COST OF SERVICES. Pro forma combined cost of services increased $10.9 million, or 19%, from $56.9 million for the three months ended March 31, 1997, to $67.8 million for the three months ended March 31, 1998. The increase in pro forma combined cost of services was principally due to additional variable costs associated with the overall increase in revenues and the acquisition of an electrical supply company noted above. As a percentage of pro forma combined revenues, pro forma combined cost of services decreased from 80% for the three months ended March 31, 1997, to 78% for the three months ended March 31, 1998. This decrease was primarily attributable to the significant revenue growth in the current year, as well as lower margins in the prior year due to inclement weather in Texas and South Dakota, and to a lesser extent the redistribution of labor after the completion of several large manufacturing and distribution projects in December 1996.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Pro forma combined selling, general and administrative expenses increased $2.1 million, or 26%, from $8.1 million for the three months ended March 31, 1997, to $10.2 million for the three months ended March 31, 1998. This increase in pro forma combined selling, general and administrative expenses was primarily attributable to the additional variable costs necessary to support the overall increase in revenues and the acquisition of an electrical supply company noted above. As a percentage of pro forma combined revenues, pro forma combined selling, general and administrative expenses increased from 11% for the three months ended March 31, 1997, to 12% for the three months ended March 31, 1997.

OPERATING INCOME. Pro forma combined operating income increased $2.8 million, or 53%, from $5.3 million for the three months ended March 31, 1997, to $8.1 million for the three months ended March 31, 1998. The increase in pro forma combined operating income was attributable to the factors discussed above. As a percentage of pro forma combined revenues, pro forma combined operating income increased from 7% for the three months ended March 31, 1997, to 9% for the three months ended March 31, 1998.

HISTORICAL RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED MARCH 31, 1997 COMPARED TO THE SIX MONTHS ENDED MARCH 31, 1998

The following table presents selected historical financial information for the six months ended March 31, 1997 and 1998. The historical results of operations presented below include the results of operations of Houston-Stafford for the six months ended March 31, 1997 and 1998, which results include the results of operations of IES and the other Founding Companies beginning February 1, 1998. See Overview and Basis of Presentation of Financial Statements for further discussion. The information presented in the table is in thousands of dollars.

	Six Months Ended March 31,			
	1997	%	1998	%
Revenues	$ 33,568	100%	$ 89,907	100%
Cost of services	26,259	78%	70,194	78%
Selling, general & administrative expenses	5,551	17%	16,274	18%
Goodwill amortization	--	--%	640	1%
Operating income before non-cash non-recurring compensation charge in connection with the Acquisitions	$ 1,758	5%	$ 2,799	3%

REVENUES. Revenues increased $56.3 million, or 168%, from $33.6 million for the six months ended March 31, 1997, to $89.9 million for the six months ended March 31, 1998. The increase in revenues was principally due to approximately $43.3 million of revenue related to the Acquisitions of the Founding Companies (excluding Houston-Stafford) on January 30, 1998, higher demand national multi-family apartments, and increased demand for single-family electrical installation services in Houston.

COST OF SERVICES. Cost of services increased $43.9 million, or 167%, from $26.3 million for the six months ended March 31, 1997, to $70.2 million for the six months ended March 31, 1998. The increase in cost of services was principally due to the Acquisitions of the Founding Companies (excluding Houston-Stafford) on January 30, 1998, and the additional variable costs associated with the increased revenues noted above. As a percentage of revenues, cost of services remained constant at 78% for the six months ended March 31, 1997, compared to the six months ended March 31, 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $10.7 million, or 191%, from $5.6 million for the six months ended March 31, 1997, to $16.3 million for the six months ended March 31, 1998. This increase in selling, general and administrative expenses was primarily attributable to the Acquisitions of the Founding Companies (excluding Houston-Stafford) on January 30, 1998, and to a $5.6 million bonus paid to the owners of Houston-Stafford during the four months ended in January 1998, compared to a $1.5 million bonus during the four months ended in January, 1997. Excluding such bonuses, selling, general and administrative expenses as a percentage of revenues remained constant at 12% for the six months ended March 31, 1997, compared to the six months ended March 31, 1998.

OPERATING INCOME. Operating income increased $1.0 million, or 56%, from $1.8 million for the six months ended March 31, 1997, to $2.8 million for the six months ended March 31, 1998. Excluding the owner bonuses noted above, operating income increased $5.1 million, or 155%, from $3.3 million for the six months ended March 31, 1997, to $8.4 million for the six months ended March 31, 1998. This increase in operating income is primarily attributed to the Acquisitions of the Founding Companies (excluding Houston-Stafford) on January 30, 1998. As a percentage of revenues, operating income (excluding the owner bonuses noted above) decreased from 10% for the six months ended March 31, 1997, to 9% for the six months ended March 31, 1998.

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

The following table presents selected historical financial information for the three months ended March 31, 1997 and 1998. The historical results of operations presented below include the results of operations of Houston-Stafford for the three months ended March 31, 1997 and 1998, which results include the results of operations of IES and the other Founding Companies beginning February 1, 1998. See Overview and Basis of Presentation of Financial Statements for further discussion. The information presented in the table is in thousands of dollars.

	Three Months Ended March 31,			
	1997	%	1998	%
Revenues	$ 16,137	100%	$ 66,056	100%
Cost of services	13,082	81%	51,503	78%
Selling, general & administrative expenses	2,145	13%	9,150	14%
Goodwill amortization	--	--%	640	1%
Operating income before non-cash non-recurring compensation charge in connection with the Acquisitions	$ 910	6%	$ 4,763	7%

REVENUES. Revenues increased $50.0 million, or 310%, from $16.1 million for the three months ended March 31, 1997, to $66.1 million for the three months ended March 31, 1998. The increase in revenues was principally due to approximately $43.3 million of revenue related to the Acquisitions of the Founding Companies (excluding Houston-Stafford) on January 30, 1998, higher demand for residential services under contract with a national provider of multi-family apartments, and increased demand for single-family electrical installation services in Houston.

COST OF SERVICES. Cost of services increased $38.4 million, or 293%, from $13.1 million for the three months ended March 31, 1997, to $51.5 million for the three months ended March 31, 1998. The increase in cost of services was principally due to the Acquisitions of the Founding Companies (excluding Houston-Stafford) on January 30, 1998, and the additional variable costs associated with the increased revenues noted above. As a percentage of revenues, cost of services decreased from 81% for the three months ended March 31, 1997, to 78% for the three months ended March 31, 1998. This decrease was due to Houston-Stafford's lower markup on certain materials acquired under significant contracts for multi-family apartments and additional overtime in the prior year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $7.1 million, or 338%, from $2.1 million for the three months ended March 31, 1997, to $9.2 million for the three months ended March 31, 1998. This increase in selling, general and administrative expenses was primarily attributable to the Acquisitions of the

Founding Companies (excluding Houston-Stafford) on January 30, 1998, and to a $1.2 million bonus paid to the owners of Houston-Stafford during the one month ended January 31, 1998, compared to a $0.1 million bonus during the three months ended March 31, 1997. Excluding such bonuses, selling, general and administrative expenses as a percentage of revenues remained constant at 12% for the six months ended March 31, 1997, compared to the six months ended March 31, 1998.

OPERATING INCOME. Operating income increased $3.9 million, or 433%, from $0.9 million for the three months ended March 31, 1997, to $4.8 million for the three months ended March 31, 1998. Excluding the owner bonuses noted above, operating income increased $5.0 million, or 500%, from $1.0 million for the three months ended March 31, 1997, to $6.0 million for the three months ended March 31, 1998. This increase in operating income is primarily attributed to the Acquisitions of the Founding Companies (excluding Houston-Stafford) on January 30, 1998. As a percentage of revenues, operating income (excluding the owner bonuses noted above) increased from 6% for the three months ended March 31, 1997, to 9% for the three months ended March 31, 1998.

FINANCIAL CONDITION, LIQUIDITY AND CASH FLOWS

As of March 31, 1998, the Company had cash of $18.8 million and available capacity under its Credit Facility of $70.0 million.

The Company has a three-year revolving credit facility of up to $70.0 million (the "Credit Facility") to 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 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 30, 1998, the Company completed its Offering of 7,000,000 shares of common stock for which it received net proceeds of approximately $78.8 million. Concurrent with the completion of the Offering, IES acquired the Founding Companies for consideration consisting of $53.4 million in cash and 12,313,025 shares of common stock. Additionally, on February 5, 1998, the Company sold an additional 1,050,000 shares of its common stock pursuant to the overallotment option granted to the underwriters in connection with the Offering for net proceeds of $12.7 million. The Company used $7.6 million of the net proceeds from the Offering to retire outstanding third party debt and $16.0 million to pay indebtedness incurred by the Founding Companies for distributions to the owners prior to the Acquisitions. The Company will use the net proceeds for working capital and general corporate purposes, which are expected to include future acquisitions.

The Company anticipates that its cash flow from operations and proceeds from the Offering 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 1998.

Through May 15, 1998, the Company has acquired five companies in addition to the Founding Companies with annualized revenues of approximately $42 million. The cash component of the consideration paid for these companies was funded with existing cash.

The Company has signed letters of intent with eight companies with aggregate revenue of $160 million. These transactions are subject to due diligence, regulatory approval, and customary closing conditions, as such there is no assurance that these transactions will be consummated.

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 a portion of the net proceeds of the Offering, 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. Capital expenditures for equipment and expansion of facilities are expected to be funded from cash flow from operations and supplemented as necessary by borrowings from 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 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 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

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," allows entities to choose between a new fair value based method of accounting for employee stock options or similar equity instruments and the current intrinsic, value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25"). Entities electing to remain with the accounting in APB No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied. The Company will provide pro forma disclosure of net income and earnings per share, as applicable, in the notes to future consolidated annual financial statements.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"). SFAS No. 128 simplifies the standards required under current accounting rules for computing earnings per share and replaces the presentation of primary earnings per share and fully diluted earnings per share with a presentation of basic earnings per share ("basic EPS") and diluted earnings per share ("diluted EPS"). Basic EPS excludes any dilution and is determined by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities and other contracts to issue common stock were exercised or converted into common stock. The Company's pro forma and historical earnings per share have been calculated in accordance with SFAS No. 128.

In June, 1997, the FASB issued SFAS No. 131, "Disclosures 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 segments in interim financial reports issued to shareholders. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997, at which time the Company will adopt the provision. This statement is not anticipated to have a material impact on the Company's financial disclosures.

YEAR 2000 DATE CONVERSION

The Company is in the process of identifying and evaluating its potential Year 2000 software issues. The Company does not currently expect that the cost of addressing Year 2000 issues will materially exceed the cost of normal software upgrades and replacements expected to occur through the Year 2000.

INTEGRATED ELECTRICAL SERVICES, INC.

PART II. OTHER INFORMATION

ITEM 2. USE OF PROCEEDS

(d) Use of Proceeds

On January 26, 1998, the Company commenced its initial public offering of 7,000,000 shares of the Company's common stock, par value $0.01 per share, at $13.00 per share pursuant to a Registration Statement on Form S-1 (333-38715) with respect to 8,050,000 shares of common stock which became effective on January 26, 1998. The managing underwriters of the offering were Merrill Lynch & Co., Donaldson, Lufkin & Jenrette Securities Corporation, SunTrust Equitable Securities Corporation and Sanders Morris Mundy. The Offering, which closed on January 30, 1998, yielded proceeds of $91.0 million. Additionally, on February 5, 1998, the Company sold the entire 1,050,000 shares of its common stock subject to the overallotment option granted to the underwriters in connection with the Offering and yielded additional proceeds of $13.6 million. Of these total proceeds, $7.3 million was retained by the underwriters as their discount and commission and approximately $5.8 million was used to repay expenses incurred in connection with the Offering. Of the approximate $5.8 million in expenses, $3.2 million was paid to a director of the Company in order to repay principal and interest on funds advanced by such director with respect to expenses incurred by the Company. A portion of the remaining net proceeds to the Company of $91.5 million were used to pay approximately $53.4 million of partial consideration to the owners of the Founding Companies (including approximately $23.5 million to certain directors of the Company), to retire approximately $7.6 million of outstanding third party debt and pay approximately $16.0 million of indebtedness incurred by the Founding Companies for distributions to the owners prior to the Acquisitions. The Company will use the remaining net proceeds for working capital and general corporate purposes, which are expected to include future acquisitions.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. EXHIBITS:

27. Financial Data Schedule

INTEGRATED ELECTRICAL SERVICES, INC.

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, who has signed this report on behalf of the Registrant and as the principal financial officer of the Registrant.

INTEGRATED ELECTRICAL SERVICES, INC.

Date: May 15, 1998

By: /s/ JIM P. WISE
Jim P. Wise
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
27.	Financial Data Schedule

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF INTEGRATED ELECTRICAL SERVICES, INC. AS OF MARCH 31, 1998 AND FOR THE SIX MONTHS ENDED MARCH 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS
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MAR-31-1998
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