Form 10-Q
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended September 30, 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 Number 1-8325

MYR GROUP INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3158643
(State or other jurisdiction of incorporation or organization)	(I.R.S.Employer Identification No.)

1701 W. Golf Road, Tower Three, Suite 1012, Rolling Meadows, Illinois 60008
(Address of principal executive offices) (Zip Code)
(847) 290-1891
Registrant's telephone number, include area code

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 and 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 23, 1998: 5,613,216

MYR GROUP INC.

I N D E X

PART I. Financial Information

Part I, Item 1
Financial Information
MYR Group Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	September 30 1998 (Unaudited)	Dec. 31 1997 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 798	$ 3,757
Contract receivables including retainage	77,778	75,414
Costs and estimated earnings in excess of billings on uncompleted contracts	20,313	14,919
Deferred income taxes	5,322	5,322
Other current assets	851	587
Total current assets	105,062	99,999
Property and equipment	55,979	54,858
Less accumulated depreciation	39,838	37,967
	16,141	16,891
Other assets	526	534
Total assets	$ 121,729	$ 117,424
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt	$ 15,255	$ 13,462
Accounts payable	19,604	19,727
Billings in excess of costs and estimated earnings on uncompleted contracts	9,550	9,183
Accrued insurance	16,782	15,121
Other current liabilities	15,987	19,908
Total current liabilities	77,178	77,401
Deferred income taxes	746	746
Other liabilities	434	415
Long-term debt:		
Promissory notes and other debt	917	1,625
Industrial revenue bond	480	480
Subordinated convertible debentures	5,447	5,679
Total long-term debt	6,844	7,784
SHAREHOLDERS' EQUITY		
Common stock and additional paid-in capital	6,252	5,582
Retained earnings	32,085	27,238
Treasury stock	(94)	(522)
Restricted stock awards and shareholder note receivable	(1,716)	(1,936)
Total shareholders' equity	36,527	31,078
Total liabilities and shareholders' equity	$ 121,729	$ 117,424

*Condensed from audited financial statements
The Notes to Condensed Consolidated Financial Statements are an integral part of this statement.

MYR Group Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands except per share amounts)
(Unaudited)

Periods Ended September 30	Three Months 1998	Three Months 1997	Nine Months 1998	Nine Months 1997
Contract revenue	$122,282	$119,838	$ 342,619	$ 321,152
Contract cost	110,058	108,049	310,413	292,024
Gross profit	12,224	11,789	32,206	29,128
Selling, general and administrative expenses	8,081	8,166	22,064	20,696
Income from operations	4,143	3,623	10,142	8,432
Other income (expense)				
Interest income	3	7	9	23
Interest expense	(592)	(499)	(1,588)	(1,149)
Gain (loss) on sale of property and equipment	226	40	500	(207)
Miscellaneous	(21)	1	29	56
Income from continuing operations before income taxes	3,809	3,150	9,064	7,155
Income tax expense	1,524	1,260	3,626	2,862
Income from continuing operations	2,285	1,890	5,438	4,293
Income from discontinued operations	-	-	-	602
Net income	$ 2,285	$ 1,890	$ 5,438	$ 4,895
Earnings per share _ Basic:				
Income from continuing operations	$ .40	$ .35	$ .97	$ .79
Income from discontinued operations	-	-	-	.11
Net Income	.40	.35	.97	.90
Earnings per share _ Diluted:				
Income from continuing operations	.34	.27	.82	.63
Income from discontinued operations	-	-	-	.09
Net Income	.34	.27	.82	.72
Dividends per common share	.035	.033	.105	.099
Weighted average common shares and common Share equivalents outstanding				
Basic	5,616	5,424	5,591	5,415
Diluted	6,713	7,154	6,677	7,034

The Notes to Condensed Consolidated Financial Statements are an integral part of this statement.

MYR Group Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

Nine Months Ended September 30	1998	1997
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	$ 5,438	$ 4,293
Adjustments to reconcile income from continuing operations to cash flows from continuing operations		
Depreciation and amortization	3,483	4,042
Amortization of intangibles	141	179
Loss (gain) from disposition of assets	(500)	207
Changes in curren assets and liabilities	(10,030)	(13,080)
Cash flows from continuing operations	(1,468)	(4,359)
Cash flows from discontinued operations	-	2,456
Cash flows from operations	(1,468)	(1,903)

CASH FLOWS FROM INVESTMENTS		
Expenditures for property and equipment	(2,984)	(3,324)
Proceeds from disposition of assets	221	751
Cash used in acquisition, net of cash acquired	-	(241)
Cash flows from investments	(2,233)	(3,344)
CASH FLOWS FROM FINANCING		
Proceeds from long term debt	5,349	1,086
Proceeds from exercise of stock options	125	229
Increase (decrease)in deferred compensation	18	(10)
Dividends paid	(591)	(536)
Cash flows from financing	4,928	742
Decrease in cash and cash equivalents	(2,959)	(319)
Cash and cash equivalents at beginning of year	3,757	1,011
Cash and cash equivalents at end of period	$ 798	$ 692

The Notes to Condensed Consolidated Financial Statements are an integral part of this statement.

MYR Group Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1 - Basis of Presentation

The condensed consolidated balance sheets, statements of operations and statements of cash flows include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated.

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for the interim period.

The results of operations for the nine month period ended September 30, 1998 are not necessarily indicative of the results to be expected for the full year.

2 - Acquisition

On May 1, 1997, the Company completed the acquisition of all the stock of D.W. Close Company, Inc. (D.W. Close). D.W. Close is engaged primarily in the installation of lighting systems, electrical maintenance/construction and smart highway construction for commercial, industrial and municipal customers.

All the shares of D.W. Close were exchanged for $400,000 in cash and $2,500,000 of promissory notes. The principal is due in installments of $250,000, $666,667, $666,667 and $916,666 on September 30, 1997, May 1, 1998, 1999 and 2000, with interest payable quarterly each year. The transaction has been accounted for using the purchase method of accounting.

3 - Discontinued Operations

As part of the sale in 1988 of its former engineering subsidiary, the Company retained certain rights and obligations in connection with a lawsuit with National Union Fire Insurance Company of Pittsburgh, PA. In June 1997, the Company settled the lawsuit and received $4,250,000. The Company had a receivable relating to this lawsuit of $1,854,000. The remaining $2,396,000 related to reimbursement for interest and legal costs. The portion allocated to interest was $1,042,000 and was included in continuing operations as miscellaneous other income in the second quarter of 1997. The portion allocated to legal costs was $1,354,000. This amount was included in income from discontinued operations, reduced by additional expenses incurred for legal and other directly related costs totaling $350,000. The net result on discontinued operations for the nine months ended September 30, 1997 was $602,000, including the income tax expense of $402,000.

4 - Earnings Per Share

On December 31, 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share, which requires the disclosure of two earnings per common share computations: basic and diluted. The basic earnings per common share is computed by dividing net income by the weighted average number of shares of common stock. The diluted earnings per share reflect the potential dilution which would result from the exercise of stock options and conversion of the convertible subordinated notes. Earnings per share computations for prior years have been restated to reflect this new standard.

Basic and diluted weighted average shares outstanding and earnings per share on income from continuing operations are as follows:

	Period Ended September 30			
	Three Months		Nine Months	
Share Data:	1998	1997	1998	1997
Basic Shares	5,616	5,424	5,591	5,415
Common equivalent shares	738	730	727	619
Shares assumed converted	359	1,000	359	1,000
Diluted shares	6,713	7,154	6,677	7,034

	Three Months Ended September 30			
	1998		1997	
	Total	Per Share	Total	Per Share
Income from continuing operations:				
Basic	2,285	$0.40	1,890	$0.35
Interest on convertible subordinated shares	22		60	
Diluted	2,307	$0.34	1,950	$0.27

	Nine Months Ended September 30			
	1998		1997	
	Total	Per Share	Total	Per Share
Income from continuing operations:				
Basic	5,438	$0.97	4,293	$0.79
Interest on convertible subordinated shares	65		178	
Diluted	5,503	$0.82	4,471	$0.63

5 - Supplemental Quarterly Financial Information (Unaudited)
(Dollars in thousands, except per share amounts)

	1998				
	Mar. 31	June 30	Sept 30	Dec 31	Year
Contract revenue	110,671	109,666	122,282		342,619
Gross profit	8,929	11,053	12,224		32,206
Income from continuing operations	1,082	2,071	2,285		5,438
Net income	1,082	2,071	2,285		5,438
Earnings per share:					
Basic	0.20	0.37	0.40		0.97
Diluted	0.17	0.31	0.34		0.82
Dividends paid per share	0.035	0.035	0.035		0.105
Market price:					
High	12.81	14.25	16.88		16.88
Low	11.31	11.31	10.69		10.69

	1997				
	Mar. 31	June 30	Sept 30	Dec 31	Year
Contract revenue	89,004	112,310	119,838	110,124	431,276
Gross profit	7,385	9,954	11,789	10,532	39,660
Income from continuing operations	693	1,710	1,890	1,658	5,951
Net income	693	2,312	1,890	1,658	6,553
Earnings per share - Basic:					
Income from continuing operations	0.13	0.31	0.35	0.30	1.09
Net income	0.13	0.42	0.35	0.30	1.20
Earnings per share - Diluted:					
Income from continuing operations	0.11	0.25	0.27	0.24	0.87
Net income	0.11	0.34	0.27	0.24	0.96
Dividends paid per share	0.033	0.033	0.033	0.033	0.132
Market price:					
High	8.40	10.99	14.14	14.85	14.85
Low	7.20	6.98	10.50	12.44	6.98

6 _Accounting Pronouncements

In 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 established standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The adoption of SFAS No. 130 had no impact on the Company's financial statements.

In 1997, the Financial Accounting Standards Board Issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers. This standard is effective for years beginning after December 15, 1997, and does not need to be applied to interim financial statements in the initial year of its application. It expands current disclosures and accordingly, will have no impact on the Company's reported financial position, results of operations and cash flows. The Company is assessing the impact of SFAS No. 131 on its current disclosures.

Part I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three and Nine Months Ending September 30, 1998

(Dollars in thousands)

Results of Operations

Continuing Operations

Revenue for the three and nine month periods was $122,282 and $342,619, compared to $119,838 and $321,152 in 1997. This is an increase of 2.0% and 6.7% for the three and nine month periods. The increase in the three month period is due to significant storm related work. This increase is offset by a decrease in revenue from a major commercial electrical job for a hotel and casino in Nevada that was nearing completion in the third quarter of 1998. The nine month period increase is also due to the storm work and due to the acquisition of D.W. Close in the second quarter of 1997.

Gross profit for the three and nine month periods was $12,224 and $32,206, compared to $11,789 and $29,128 in 1997. Gross profit as a percentage of revenue was 10.0% and 9.4% for the three and nine month periods, respectively, compared to 9.8% and 9.1% in 1997.

Revenue and gross profit comparisons from quarter to quarter and comparable quarters of different periods may be impacted by variables beyond the control of the Company due to the nature of the Company's work as an electrical contractor. Such variables include unusual or unseasonable weather and delays in receipt of construction materials which typically results in lower revenues and lower margins in the first quarter when compared to other quarters. As a general rule, the better construction weather in the second, third and fourth quarters usually results in higher revenues and margins from those quarters. Competitive bidding pressures may cause these general trends to vary. Additionally, since the company's revenues are derived principally from providing construction labor services, insurance costs, particularly for workers compensation, are a significant factor in the Company's contract cost structure. Fluctuations in insurance reserves for claims under the retrospective rated insurance programs can have significant impact on gross margins, either upward or downward, in the period in which such insurance reserve adjustments are made.

Selling, general and administrative expenses for the three and nine month periods were $8,081 and $22,064, compared to $8,166 and $20,696 in 1997. This represents 6.6% and 6.4% of consolidated revenues for the three and nine month periods of 1998, compared to 6.8% and 6.4% for 1997. The nine month period increase reflects additional compensation costs to support the higher volume of work, additional incentive compensation and profit sharing accruals as a result of higher profit levels and additional legal accruals on miscellaneous claims.

Net interest expense for the three and nine month periods was $589 and $1,579, compared to $492 and $1,126 in 1997. The increase in net interest expense results from higher bank debt to support working capital needs as a result of the higher volume of work and higher retention receivable balances on the major hotel and casino project in Nevada.

Gain (loss) on sale of property and equipment for the three and nine month periods was $226 and $500, compared to $40 and ($207) in 1997. The gain for the current year represents sales and disposals related to continued emphasis to modernize the equipment fleet. The 1997 gain (loss) related to normal sales and disposals and the sale and disposal of damaged and obsolete equipment.

Miscellaneous other income (expense) for the three and nine month periods was $29 and $1, compared to ($21) and $56 in 1997. The current year income consists mainly of cash discounts offset by bank fees. The prior year nine month income includes $1,042 relating to the settlement of a lawsuit (See Note 3 to the Financial Statements). Offsetting the prior year income amount are bank fees, amortization of goodwill, cost accrued for the clean-up and move out of an operating unit's facility as a result of consolidating operations and the write-off of an investment in land that has never been developed.

Income tax expense for the three and nine month periods was $1,524 and $3,626, compared to $1,260 and $2,862 in 1997. As a percentage of income, the effective rate for the three and nine month periods of 1998 and 1997 was 40%.

The Company's backlog at September 30, 1998 was $135,100, compared to $130,600 at December 31, 1997, and $132,500 at September 30, 1997. Substantially all the current backlog will be completed within twelve months and approximately 60% is expected to be completed by December 31, 1998.

On August 26, 1998, the Company announced the execution of a letter of intent to acquire The Kirk & Blum Manufacturing Company and kbd/TECHNIC, Inc. At this time no determination has been made as to whether or when this transaction will be completed.

Discontinued Operations

During 1988, the Company sold two subsidiaries. As part of the sale of the engineering subsidiary, the Company retained certain rights andobligations in connection with two lawsuits. In the nine month period of 1997, the Company recorded amounts received from a settlement with National Fire Insurance Company of Pittsburgh, PA, which results in a gain of $602 ($1,004 pre-tax). (See Note 3 to Financial Statements).

Liquidity and Capital Resources

Cash flows provided from proceeds from long term debt amounted to $1,086, proceeds from the disposition of property and equipment amounted to $751 and proceeds from the exercise of stock options amounted to $229. The cash flows were primarily used by operations for the nine months of $1,468, net capital expenditures of $2,984, and dividend payments of $591. The Company's financial condition continues to be strong at September 30, 1998 with working capital of $27,884, compared to $22,598 at December 31, 1997. The Company's current ratio was 1.36:1 at September 30, 1998, compared to 1.29:1 at December 31, 1997.

The Company has a $20,000 revolving and $625 term credit facility. As of September 30, 1998, there were $13,680 and $625 outstanding under the revolving and term credit facility. The company has outstanding letters of credit with banks totaling $4,927. The company anticipates that its credit facility, cash balances and internally generated cash flows will continue to be sufficient to fund operations, capital expenditures and debt service requirements. The Company is also confident that its financial condition will allow it to meet long-term capital requirements.

Capital expenditures for the nine months were $2,984, compared to $3,324 in 1997. Capital expenditures during these periods were used for normal property and equipment additions, replacements and upgrades. Proceeds from the disposal of property and equipment for the nine months were $751 compared to $221 in 1997. The Company plans to spend approximately $4,000 on capital improvements during 1998.

YEAR 2000 Compliance:

General

The Year 2000 problem arose because many existing computer programs use only the last two digits to refer to a year. Therefore, these computer programs do not properly recognize a year that begins with 20 instead of the familiar 19. If not corrected, many computer applications could fail or create erroneous results. The extent of the potential impact of the Year 2000 problem is not yet known, and if not timely corrected, it could affect the global economy.

State of Readiness

In 1997, the Company established an organization wide project to identify non-compliant items, formulate corrective actions and to implement corrective actions to mitigate the year 2000 issue. The Company has identified three categories of components that require attention:

1. Information technology (IT) systems, such as mainframes, midranges, personal computers and networks
2. Non-IT systems such as equipment, machinery, climate control, security

and telephone systems, which may contain microcontrollers with embedded technology

3. Third party IT and Non-IT systems

The table below summarizes the estimated completion percentages of the three categories and stages that are being undertaken to mitigate the Year 2000 issue.

	Identification of material items	Formulation of corrective actions	Implementation of corrective actions	Planned Completion
IT systems	95%	95%	85%	December,1998
Non-IT systems	80%	80%	25%	September,1999
Third party systems	85%	85%	50%	September,1999

Although the Company has contacted its major suppliers to determine their readiness regarding the Year 2000 issue and has been assured that they are working to mitigate its effects, the Company has no way of determining what level of compliance they will attain by the year 2000. The Company is currently in the process of contacting its major customers to state our projected level of compliance and to evaluate their planned level of compliance. Upon receiving the responses, the Company will formulate corrective actions. There is no guarantee that systems of other companies on which the Company's systems rely will be timely converted and would not have an adverse effect on the Company's systems.

If all material components are not identified or all appropriate corrective actions are not taken or are not completed in a timely manner, the Year 2000 issue could have a material impact on the operations of the Company.

Year 2000 Costs

Costs related to the Year 2000 issue are funded through operating cash flows and are being expensed as incurred. Through the third quarter of 1998, the Company has expended approximately $15,000 in remediation efforts, which consisted of costs associated with modifying the source code of existing software. Based upon the Company's investigations to date, it estimates the total costs related to the Year 2000 issue would be immaterial and range from $50,000 to $75,000. This amount may vary substantially as the Company continues to evaluate items associated with the Year 2000 issue.

Year 2000 Risks

The most reasonably likely worst case scenario for the Company is the failure of a supplier to be Year 2000 compliant such that its supply of needed products or services is interrupted temporarily. This could result in the Company not being able to fulfill its obligation on a construction contract, which could cause lost sales and profits and possibly additional exposure for non-performance and damage claims.

Year 2000 Contingency Plans

The Company is currently evaluating business disruption scenarios, coordinating the establishment of Year 2000 contingency plans and identifying and implementing preemptive strategies. Detailed contingency plans for critical business processes will be developed by September 1999. The costs of the project and the date on which the Company believes it will complete the Year 2000 project are based on management's best estimates, which were derived utilizing numerous assumptions and future events, including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant codes, the level of compliance by key suppliers and customers, and similar uncertainties.

CAUTIONARY STATEMENT_ This Form 10-Q may contain statements, which constitute forward-looking information as defined in the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission. These statements are based on the Company's expectations and are subject to risks and uncertainties that may cause the actual results in the future to differ significantly from the results expressed or implied in any forward-looking statements contained in this filing. Such forward-looking statements are within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended.

PART II

Item 1. Legal Proceedings

The Company is a defendant in lawsuits arising in the ordinary course of its business. In the opinion of the Company's management, based in part upon the advice of its counsel, these lawsuits are covered by insurance, provided for in the consolidated financial statements of the Company, or are without merit, and the Company's management is of the opinion that the ultimate disposition of any of these pending lawsuits will not have a material adverse impact on the Company in relation to the Company's consolidated financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders in the third quarter of 1998 that were not previously disclosed.

Item 6 . Exhibits and Reports on Form 8-K

a. Exhibits filed herewith are listed in the Exhibit Index filed as a part hereof and incorporated herein by reference.

b. A Report on Form 8-K was filed by the Company on August 10, 1998 reporting a change in certifying accountant.

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.

MYR Group Inc.

Date: October 30, 1998 By: /s/ Betty R. Johnson
Betty R. Johnson
Vice President and Controller
(duly authorized representative of registrant
and principal financial officer)

MYR Group Inc.

Quarterly Report on Form 10Q
for the Quarter Ended September 30, 1998
Exhibit Index

Number	Description	Page (or Reference)
27	Financial Data Schedules	15

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