

EMCOR GROUP INC  
 Form 10-Q  
 October 24, 2013  
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UNITED STATES  
 SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

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 1-8267

EMCOR GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of

Incorporation or Organization)

11-2125338

(I.R.S. Employer

Identification Number)

301 Merritt Seven

Norwalk, Connecticut

(Address of Principal Executive Offices)

(203) 849-7800

(Registrant's Telephone Number, Including Area Code)

06851-1092

(Zip Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last

Report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

Applicable Only To Corporate Issuers

Number of shares of Common Stock outstanding as of the close of business on October 21, 2013: 67,131,672 shares.

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## PART I. – FINANCIAL INFORMATION.

## ITEM 1. FINANCIAL STATEMENTS.

EMCOR Group, Inc. and Subsidiaries

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$444,037	\$ 605,303
Accounts receivable, net	1,286,237	1,221,956
Costs and estimated earnings in excess of billings on uncompleted contracts	110,241	93,061
Inventories	42,724	50,512
Prepaid expenses and other	85,247	73,621
Total current assets	1,968,486	2,044,453
Investments, notes and other long-term receivables	5,865	4,959
Property, plant and equipment, net	123,138	116,631
Goodwill	829,316	566,588
Identifiable intangible assets, net	550,785	343,748
Other assets	29,169	30,691
Total assets	\$3,506,759	\$ 3,107,070
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Borrowings under revolving credit facility	\$—	\$—
Current maturities of long-term debt and capital lease obligations	1,882	1,787
Accounts payable	479,604	490,621
Billings in excess of costs and estimated earnings on uncompleted contracts	390,606	383,527
Accrued payroll and benefits	241,181	224,555
Other accrued expenses and liabilities	178,743	194,029
Total current liabilities	1,292,016	1,294,519
Borrowings under revolving credit facility	400,000	150,000
Long-term debt and capital lease obligations	3,195	4,112
Other long-term obligations	376,347	301,260
Total liabilities	2,071,558	1,749,891
Equity:		
EMCOR Group, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, zero issued and outstanding	—	—
Common stock, \$0.01 par value, 200,000,000 shares authorized, 68,121,910 and 68,010,419 shares issued, respectively	681	680
Capital surplus	420,974	416,104
Accumulated other comprehensive loss	(79,789)	(81,040)
Retained earnings	1,092,018	1,022,239
Treasury stock, at cost 996,257 and 1,046,257 shares, respectively	(11,696)	(11,903)
Total EMCOR Group, Inc. stockholders' equity	1,422,188	1,346,080
Noncontrolling interests	13,013	11,099
Total equity	1,435,201	1,357,179

Total liabilities and equity	\$3,506,759	\$ 3,107,070
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See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (In thousands, except per share data)(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenues	\$1,629,067	\$1,606,242	\$4,754,221	\$4,734,798
Cost of sales	1,422,757	1,402,994	4,175,238	4,156,893
Gross profit	206,310	203,248	578,983	577,905
Selling, general and administrative expenses	149,722	134,477	427,855	406,656
Restructuring expenses	2,466	145	9,642	145
Operating income	54,122	68,626	141,486	171,104
Interest expense	(2,352)	(1,807)	(5,978)	(5,460)
Interest income	235	381	862	1,165
Income before income taxes	52,005	67,200	136,370	166,809
Income tax provision	23,112	26,890	55,285	64,711
Net income including noncontrolling interests	28,893	40,310	81,085	102,098
Less: Net income attributable to noncontrolling interests	(2,203)	(729)	(3,214)	(1,924)
Net income attributable to EMCOR Group, Inc.	\$26,690	\$39,581	\$77,871	\$100,174
Basic earnings per common share:				
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.40	\$0.59	\$1.16	\$1.50
Diluted earnings per common share:				
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.39	\$0.59	\$1.14	\$1.48
Dividends declared per common share	\$0.06	\$—	\$0.12	\$0.15

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income including noncontrolling interests	\$28,893	\$40,310	\$81,085	\$102,098
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(491	) 172	(463	) 130
Post retirement plans, amortization of actuarial loss included in net income <sup>(1)</sup>	611	542	1,714	1,589
Other comprehensive income	120	714	1,251	1,719
Comprehensive income	29,013	41,024	82,336	103,817
Less: Comprehensive income attributable to noncontrolling interests	(2,203	) (729	) (3,214	) (1,924
Comprehensive income attributable to EMCOR Group, Inc.	\$26,810	\$40,295	\$79,122	\$101,893

(1) Net of tax of \$0.1 million and \$0.2 million for the three months ended September 30, 2013 and 2012, respectively, and \$0.5 million for each of the nine month periods ended September 30, 2013 and 2012. See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In thousands)(Unaudited)

	Nine months ended September 30,	
	2013	2012
Cash flows - operating activities:		
Net income including noncontrolling interests	\$81,085	\$102,098
Depreciation and amortization	25,907	22,577
Amortization of identifiable intangible assets	21,317	22,336
Deferred income taxes	(666	) 949
Excess tax benefits from share-based compensation	(1,267	) (5,636 )
Equity income from unconsolidated entities	(880	) (628 )
Other non-cash items	1,860	3,753
Distributions from unconsolidated entities	634	867
Changes in operating assets and liabilities, excluding the effect of businesses acquired	(59,943	) (103,285 )
Net cash provided by operating activities	68,047	43,031
Cash flows - investing activities:		
Payments for acquisitions of businesses, net of cash acquired, and related contingent consideration arrangement	(448,943	) (20,613 )
Proceeds from sale of property, plant and equipment	1,171	1,830
Purchase of property, plant and equipment	(24,006	) (29,356 )
Purchase of short-term investments	—	(22,433 )
Maturity of short-term investments	4,616	22,490
Net cash used in investing activities	(467,162	) (48,082 )
Cash flows - financing activities:		
Proceeds from revolving credit facility	250,000	—
Repayments of long-term debt	(6	) (38 )
Repayments of capital lease obligations	(1,256	) (1,654 )
Dividends paid to stockholders	(8,052	) (9,988 )
Repurchase of common stock	(4,998	) (23,912 )
Proceeds from exercise of stock options	2,320	2,953
Payments to satisfy minimum tax withholding	(927	) (1,654 )
Issuance of common stock under employee stock purchase plan	2,088	1,913
Payments for contingent consideration arrangements	(537	) (5,748 )
Distributions to noncontrolling interests	(1,300	) (1,600 )
Excess tax benefits from share-based compensation	1,267	5,636
Net cash provided by (used in) financing activities	238,599	(34,092 )
Effect of exchange rate changes on cash and cash equivalents	(750	) 2,201
Decrease in cash and cash equivalents	(161,266	) (36,942 )
Cash and cash equivalents at beginning of year	605,303	511,322
Cash and cash equivalents at end of period	\$444,037	\$474,380
Supplemental cash flow information:		
Cash paid for:		
Interest	\$4,893	\$3,948
Income taxes	\$85,479	\$61,026
Non-cash financing activities:		
Assets acquired under capital lease obligations	\$475	\$1,373
See Notes to Condensed Consolidated Financial Statements.		





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EMCOR Group, Inc. and Subsidiaries  
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY  
 (In thousands)(Unaudited)

	Total	EMCOR Group, Inc. Common stock	Stockholders Capital surplus	Accumulated other comprehensive (loss) income (1)	Retained earnings	Treasury stock	Noncontrolling interests
Balance, January 1, 2012	\$ 1,245,131	\$ 681	\$ 417,136	\$(78,649 )	\$ 910,042	\$(14,476 )	\$ 10,397
Net income including noncontrolling interests	102,098	—	—	—	100,174	—	1,924
Other comprehensive income	1,719	—	—	1,719	—	—	—
Common stock issued under share-based compensation plans (2)	8,198	6	6,363	—	—	1,829	—
Common stock issued under employee stock purchase plan	1,913	—	1,913	—	—	—	—
Common stock dividends	(9,988 )	—	90	—	(10,078 )	—	—
Repurchase of common stock	(23,912 )	(9 )	(23,903 )	—	—	—	—
Distributions to noncontrolling interests	(1,600 )	—	—	—	—	—	(1,600 )
Share-based compensation expense	5,285	—	5,285	—	—	—	—
Balance, September 30, 2012	\$ 1,328,844	\$ 678	\$ 406,884	\$(76,930 )	\$ 1,000,138	\$(12,647 )	\$ 10,721
Balance, January 1, 2013	\$ 1,357,179	\$ 680	\$ 416,104	\$(81,040 )	\$ 1,022,239	\$(11,903 )	\$ 11,099
Net income including noncontrolling interests	81,085	—	—	—	77,871	—	3,214
Other comprehensive income	1,251	—	—	1,251	—	—	—
Common stock issued under share-based compensation plans (2)	2,660	2	2,451	—	—	207	—
Common stock issued under employee stock purchase plan	2,088	—	2,088	—	—	—	—
Common stock dividends	(8,052 )	—	40	—	(8,092 )	—	—
Repurchase of common stock	(4,998 )	(1 )	(4,997 )	—	—	—	—
Distributions to noncontrolling interests	(1,300 )	—	—	—	—	—	(1,300 )
Share-based compensation expense	5,288	—	5,288	—	—	—	—
Balance, September 30, 2013	\$ 1,435,201	\$ 681	\$ 420,974	\$(79,789 )	\$ 1,092,018	\$(11,696 )	\$ 13,013

(1) Represents cumulative foreign currency translation adjustments and post retirement liability adjustments.

(2) Includes the tax benefit associated with share-based compensation of \$1.3 million and \$6.9 million for the nine months ended September 30, 2013 and 2012, respectively.

See Notes to Condensed Consolidated Financial Statements.

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared without audit, pursuant to the interim period reporting requirements of Form 10-Q. Consequently, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. References to the "Company," "EMCOR," "we," "us," "our" and similar words refer to EMCOR Group, Inc. and its consolidated subsidiaries unless the context indicates otherwise. Readers of this report should refer to the consolidated financial statements and the notes thereto included in our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of a normal recurring nature) necessary to present fairly our financial position and the results of our operations. The results of operations for the nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for the year ending December 31, 2013.

During the third quarter of 2013, we completed the acquisition of RepconStrickland, Inc. ("RSI"), a leading provider of recurring turnaround and specialty services to the North American refinery and petrochemical markets. In connection with the acquisition of RSI and to reflect changes in our internal reporting structure and the information used by management to make operating decisions and assess performance, we created a new segment that includes RSI and certain businesses that had been part of our United States facilities services segment. The new segment is called the United States industrial services segment and the segment formerly named United States facilities services segment has been renamed United States building services segment.

Our reportable segments have been restated in all periods presented to reflect the changes in our segments mentioned above. In addition, our reportable segments reflect certain reclassifications of prior year amounts from our United States building services segment to our United States mechanical construction and facilities services segment due to changes in our internal reporting structure.

NOTE 2 New Accounting Pronouncements

On January 1, 2013, we adopted an accounting pronouncement giving companies the option to perform a qualitative impairment assessment for their indefinite-lived intangible assets that may allow them to skip the annual fair value calculation. To perform a qualitative assessment, a company must identify and evaluate changes in economic, industry and company-specific events and circumstances that could affect the significant inputs used to determine the fair value of an indefinite-lived intangible asset. The adoption of this pronouncement did not have any effect on our financial position or results of operations, though it may impact the manner in which we perform future or prospective testing for indefinite-lived intangible asset impairment.

On January 1, 2013, we adopted an accounting pronouncement requiring preparers to report, in one place, information about reclassifications out of accumulated other comprehensive income ("AOCI"). It also required companies to report changes in AOCI balances. Public companies must provide the required information (e.g., changes in AOCI balances and reclassifications out of AOCI) in interim and annual periods. The adoption of this pronouncement did not have any effect on our financial position or results of operations.

NOTE 3 Acquisitions of Businesses

On July 29, 2013, we completed the acquisition of RSI. Under the terms of the transaction, we acquired 100% of RSI's stock for total consideration of \$460.7 million. The acquisition was funded with cash on hand and \$250.0 million from borrowings under our revolving credit facility. This acquisition was accounted for using the acquisition method of accounting. We acquired working capital of \$37.4 million and other net liabilities of \$66.4 million, and have preliminarily ascribed \$262.3 million to goodwill and \$227.4 million to identifiable intangible assets in connection with this acquisition, which has been included in our United States industrial services segment. We have not yet completed the final allocation of the purchase price related to the RSI acquisition. As we finalize the purchase price allocation, it is anticipated that additional purchase price adjustments will be recorded relating to finalization of intangible asset valuations, tax matters and other items. Such adjustments will be recorded during the measurement period. The finalization of the purchase price accounting assessment may result in changes in the valuation of assets

and liabilities acquired, which are not expected to be significant.

On May 31, 2013 and January 4, 2012, we acquired two companies, each for an immaterial amount. These companies primarily provide mechanical construction services and have been included in our United States mechanical construction and facilities services segment. The purchase price accounting for the acquisition of these businesses was finalized with an insignificant

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

## NOTE 3 Acquisitions of Businesses - (Continued)

impact during 2013 and 2012, respectively. The acquisition of these businesses was accounted for by the acquisition method, and the prices paid for them have been allocated to their respective assets and liabilities, based upon the estimated fair values of their respective assets and liabilities at the dates of their respective acquisition. We believe these businesses further expand our service capabilities into new technical areas.

During the three months ended September 30, 2013 and 2012, respectively, we recorded a reversal of \$3.1 million and \$3.0 million of liabilities resulting in non-cash income attributable to contingent consideration arrangements relating to prior acquisitions. During the nine months ended September 30, 2013 and 2012, respectively, we recorded a net reversal of \$6.0 million and \$3.0 million of liabilities resulting in non-cash income attributable to contingent consideration arrangements relating to prior acquisitions.

## NOTE 4 Earnings Per Share

## Calculation of Basic and Diluted Earnings per Common Share

The following tables summarize our calculation of Basic and Diluted Earnings per Common Share (“EPS”) for the three and nine months ended September 30, 2013 and 2012 (in thousands, except share and per share data):

	For the three months ended September 30,	
	2013	2012
Numerator:		
Net income attributable to EMCOR Group, Inc. common stockholders	\$26,690	\$39,581
Denominator:		
Weighted average shares outstanding used to compute basic earnings per common share	67,174,848	66,568,318
Effect of dilutive securities—Share-based awards	988,853	943,389
Shares used to compute diluted earnings per common share	68,163,701	67,511,707
Basic earnings per common share:		
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.40	\$0.59
Diluted earnings per share:		
Net income attributable to EMCOR Group, Inc. common stockholders	\$0.39	\$0.59

	For the nine months ended September 30,	
	2013	2012
Numerator:		
Net income attributable to EMCOR Group, Inc. common stockholders	\$77,871	\$100,174
Denominator:		
Weighted average shares outstanding used to compute basic earnings per common share	67,127,149	66,667,681
Effect of dilutive securities—Share-based awards	992,591	1,050,023
Shares used to compute diluted earnings per common share	68,119,740	67,717,704
Basic earnings per common share:		
Net income attributable to EMCOR Group, Inc. common stockholders	\$1.16	\$1.50
Diluted earnings per share:		
Net income attributable to EMCOR Group, Inc. common stockholders	\$1.14	\$1.48

There were zero anti-dilutive stock options that were excluded from the calculation of diluted EPS for both the three and nine months ended September 30, 2013. There were 140,096 anti-dilutive stock options that were excluded from the calculation of diluted EPS for each of the three and nine months ended September 30, 2012, respectively.



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Notes to Condensed Consolidated Financial Statements (Unaudited)

## NOTE 5 Inventories

Inventories in the accompanying Condensed Consolidated Balance Sheets consisted of the following amounts (in thousands):

	September 30, 2013	December 31, 2012
Raw materials and construction materials	\$20,864	\$20,994
Work in process	21,860	29,518
	\$42,724	\$50,512

## NOTE 6 Debt

Debt in the accompanying Condensed Consolidated Balance Sheets consisted of the following amounts (in thousands):

	September 30, 2013	December 31, 2012
2011 Revolving Credit Facility	\$400,000	\$150,000
Capitalized lease obligations	5,065	5,881
Other	12	18
	405,077	155,899
Less: current maturities	1,882	1,787
	\$403,195	\$154,112

## Credit Facilities

Effective November 21, 2011, we entered into an amended and restated \$750.0 million revolving credit facility (the "2011 Revolving Credit Facility"). The 2011 Revolving Credit Facility expires on November 21, 2016 and permits us to increase our borrowing to \$900.0 million if additional lenders are identified and/or existing lenders are willing to increase their current commitments. We may allocate up to \$250.0 million of the borrowing capacity under the 2011 Revolving Credit Facility to letters of credit. The 2011 Revolving Credit Facility is guaranteed by most of our direct and indirect subsidiaries and is secured by substantially all of our assets and most of the assets of most of our subsidiaries. The 2011 Revolving Credit Facility contains various covenants providing for, among other things, maintenance of certain financial ratios and certain limitations on payment of dividends, common stock repurchases, investments, acquisitions, indebtedness and capital expenditures. A commitment fee is payable on the average daily unused amount of the 2011 Revolving Credit Facility, which ranges from 0.25% to 0.35%, based on certain financial tests. The fee in effect on September 30, 2013 was 0.25% of the unused amount as of such date. Borrowings under the 2011 Revolving Credit Facility bear interest at (1) a rate which is the prime commercial lending rate announced by Bank of Montreal from time to time (3.25% at September 30, 2013) plus 0.50% to 1.00%, based on certain financial tests or (2) United States dollar LIBOR (0.18% at September 30, 2013) plus 1.50% to 2.00%, based on certain financial tests. The interest rate in effect at September 30, 2013 was 1.68%. Letters of credit fees issued under this facility range from 1.50% to 2.00% of the respective face amounts of the letters of credit issued and are computed based on certain financial tests. We capitalized approximately \$4.2 million of debt issuance costs associated with the 2011 Revolving Credit Facility. This amount is being amortized over the life of the facility and is included as part of interest expense. As of September 30, 2013 and December 31, 2012, we had approximately \$78.9 million and \$84.0 million of letters of credit outstanding, respectively. We have borrowings of \$400.0 million outstanding under the 2011 Revolving Credit Facility at September 30, 2013, which may remain outstanding at our discretion until the 2011 Revolving Credit Facility expires.





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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

## NOTE 7 Fair Value Measurements

We use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, which gives the highest priority to quoted prices in active markets, is comprised of the following three levels:

Level 1 – Unadjusted quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs, other than Level 1 inputs. Level 2 inputs would typically include quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the measurement and unobservable.

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of September 30, 2013 and December 31, 2012 (in thousands):

Asset Category	Assets at Fair Value as of September 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents <sup>(1)</sup>	\$444,037	—	—	\$444,037
Restricted cash <sup>(2)</sup>	7,058	—	—	7,058
Short-term investments <sup>(2)</sup>	—	—	—	—
Total	\$451,095	—	—	\$451,095

Asset Category	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents <sup>(1)</sup>	\$605,303	—	—	\$605,303
Restricted cash <sup>(2)</sup>	6,281	—	—	6,281
Short-term investments <sup>(2)</sup>	4,879	—	—	4,879
Total	\$616,463	—	—	\$616,463

Cash and cash equivalents consist primarily of money market funds with original maturity dates of three months or (1)less, which are Level 1 assets. At September 30, 2013 and December 31, 2012, we had \$147.2 million and \$407.4 million, respectively, in money market funds.

(2) Restricted cash and short-term investments with original maturities greater than three months are classified as “Prepaid expenses and other” on our Condensed Consolidated Balance Sheets.

We believe that the carrying values of our financial instruments, which include accounts receivable and other financing commitments, approximate their fair values due primarily to their short-term maturities and low risk of counterparty default. The carrying value of our 2011 Revolving Credit Facility approximates the fair value due to the variable rate on such debt.

## NOTE 8 Income Taxes

For the three months ended September 30, 2013 and 2012, our income tax provision was \$23.1 million and \$26.9 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 40.8% and 37.6%, respectively. The actual income tax rates on income before income taxes, less amounts attributable to noncontrolling interests, for the three months ended September 30, 2013 and 2012, inclusive of discrete items, were 46.4% and 40.5%, respectively. For the nine months ended September 30, 2013 and 2012, our income tax provision was \$55.3 million and \$64.7 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 39.9% and 38.0%, respectively. The actual income tax rates on income before income taxes, less amounts attributable to noncontrolling interests, for the nine months ended September 30, 2013 and 2012, inclusive of discrete items, were 41.5% and 39.2%, respectively.

The decrease in the 2013 income tax provision was primarily due to reduced income before income taxes and a change in the allocation of earnings amongst various jurisdictions. The increase in the 2013 effective income tax rates was primarily due to the impact of operating losses incurred in the United Kingdom and the effect of the United Kingdom tax rate change on both current and deferred tax balances.

As of September 30, 2013 and December 31, 2012, the amount of unrecognized income tax benefits for each period was \$11.3 million (of which \$6.6 million, if recognized, would favorably affect our effective income tax rate).

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

## NOTE 8 Income Taxes - (Continued)

We report interest expense related to unrecognized income tax benefits in the income tax provision. As of September 30, 2013 and December 31, 2012, we had approximately \$3.2 million and \$2.6 million, respectively, of accrued interest related to unrecognized income tax benefits included as a liability on the Condensed Consolidated Balance Sheets. For the three months ended September 30, 2013 and 2012, \$0.2 million and \$0.1 million of interest expense was recognized, respectively. For the nine months ended September 30, 2013 and 2012, \$0.6 million and \$0.2 million of interest expense was recognized, respectively.

It is possible that approximately \$5.0 million of unrecognized income tax benefits at September 30, 2013, primarily relating to uncertain tax positions attributable to certain intercompany transactions and related filing positions and compensation related accruals, will become recognized income tax benefits in the next twelve months due to the expiration of applicable statutes of limitations and settlements.

We file income tax returns with the Internal Revenue Service and various state, local and foreign tax agencies. The Company is currently under examination by various taxing authorities for the years 2008 through 2011. The Internal Revenue Service is currently auditing our 2011 and 2010 federal income tax returns.

## NOTE 9 Common Stock

As of September 30, 2013 and December 31, 2012, 67,125,653 and 66,964,162 shares of our common stock were outstanding, respectively.

During the three months ended September 30, 2013 and 2012, 28,493 and 83,875 shares of common stock, respectively, were issued primarily upon: (a) the satisfaction of required conditions under certain of our share-based compensation plans, (b) the purchase of common stock pursuant to our employee stock purchase plan and (c) the exercise of stock options. During the nine months ended September 30, 2013 and 2012, 243,690 and 502,515 shares of common stock, respectively, were issued primarily upon: (a) the satisfaction of required conditions under certain of our share-based compensation plans, (b) the exercise of stock options and (c) the purchase of common stock pursuant to our employee stock purchase plan.

On September 26, 2011, our Board of Directors authorized the Company to repurchase up to \$100.0 million of its outstanding common stock. During 2013, we repurchased approximately 0.1 million shares of our common stock for approximately \$5.0 million. Since the inception of the repurchase program, we have repurchased 2.2 million shares of our common stock for approximately \$56.4 million through September 30, 2013, and there remains authorization for us to repurchase approximately \$43.6 million of our shares. The repurchase program does not obligate the Company to acquire any particular amount of common stock and may be suspended, recommenced or discontinued at any time or from time to time without prior notice. Acquisitions under our repurchase program may be made from time to time to the extent permitted by securities laws and other legal requirements, including provisions in our revolving credit facility placing limitations on such repurchases. The repurchase program has been and will be funded from our operations.

## NOTE 10 Retirement Plans

Our United Kingdom subsidiary has a defined benefit pension plan covering all eligible employees (the "UK Plan"); however, no individual joining the company after October 31, 2001 may participate in the plan. On May 31, 2010, we curtailed the future accrual of benefits for active employees under this plan.

## Components of Net Periodic Pension Cost

The components of net periodic pension cost of the UK Plan for the three and nine months ended September 30, 2013 and 2012 were as follows (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Interest cost	\$3,044	\$3,102	\$9,147	\$9,323
Expected return on plan assets	(3,549	) (3,251	) (10,664	) (9,772

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Amortization of unrecognized loss	633	606	1,902	1,823
Net periodic pension cost	\$128	\$457	\$385	\$1,374

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 10 Retirement Plans - (Continued)

Employer Contributions

For the nine months ended September 30, 2013, our United Kingdom subsidiary contributed approximately \$4.2 million to its defined benefit pension plan. It anticipates contributing an additional \$1.5 million during the remainder of 2013.

NOTE 11 Commitments and Contingencies

Government Contracts

As a government contractor, we are subject to U.S. government audits and investigations relating to our operations, including claims for fines, penalties and compensatory and treble damages, and possible suspension or debarment from doing business with the government. Based on currently available information, we believe the outcome of ongoing government disputes and investigations will not have a material impact on our financial position, results of operations or liquidity.

Legal Matters

One of our subsidiaries was a subcontractor to a mechanical contractor ("Mechanical Contractor") on a construction project where an explosion occurred. An investigation of the matter could not determine who was responsible for the explosion. As a result of the explosion, lawsuits have been commenced against various parties, but, to date, no lawsuits have been commenced against our subsidiary with respect to personal injury or damage to property as a consequence of the explosion. However, the Mechanical Contractor has asserted claims, in the context of an arbitration proceeding against our subsidiary, alleging that our subsidiary is responsible for a portion of the damages for which the Mechanical Contractor may be liable as a result of: (a) losses asserted by the owner of the project and/or the owner's general contractor because of delays in completion of the project and damages to its property, (b) personal injury suffered by individuals as a result of the explosion and (c) the Mechanical Contractor's legal fees in defending against any and all such claims. We believe, and have been advised by counsel, that we have a number of meritorious defenses to all such matters. We believe that the ultimate outcome of such matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity. Notwithstanding our assessment of the final impact of this matter, we are not able to estimate with any certainty the amount of loss, if any, which would be associated with an adverse resolution.

We are involved in several proceedings in which damages and claims have been asserted against us. Other potential claims may exist that have not yet been asserted against us. We believe that we have a number of valid defenses to such proceedings and claims and intend to vigorously defend ourselves. We do not believe that any such matters will have a material adverse effect on our financial position, results of operations or liquidity. Litigation is subject to many uncertainties and the outcome of litigation is not predictable with assurance. It is possible that some litigation matters for which reserves have not been established could be decided unfavorably to us, and that any such unfavorable decisions could have a material adverse effect on our financial position, results of operations or liquidity.

Restructuring expenses

Restructuring expenses were \$2.5 million and \$9.6 million for the three and nine months ended September 30, 2013, respectively, which primarily related to employee severance obligations and the termination of leased facilities in the construction operations of our United Kingdom construction and facilities services segment. Restructuring expenses for the three months ended September 30, 2013 included \$1.9 million of employee severance obligations and \$0.6 million relating to the termination of leased facilities. Restructuring expenses for the nine months ended September 30, 2013 included \$8.4 million of employee severance obligations and \$1.2 million relating to the termination of leased facilities. The majority of these restructuring expenses were as a result of our decision earlier this year to withdraw from the construction market in the United Kingdom. This decision was based on recurring losses over the last several years in the construction operations of our United Kingdom segment and our negative assessment of construction market conditions in the United Kingdom for the foreseeable future. Restructuring expenses were \$0.1 million for each of the three and nine months ended September 30, 2012. As of September 30,

2013, the balance of obligations yet to be paid was \$4.7 million, the majority of which is expected to be paid through 2014. We expect to incur an additional \$3.3 million of expenses in connection with this restructuring through 2014.

NOTE 12 Segment Information

We have the following reportable segments: (a) United States electrical construction and facilities services (involving systems for electrical power transmission and distribution; premises electrical and lighting systems; low-voltage systems, such as fire alarm, security and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration and clean-

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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

## NOTE 12 Segment Information - (Continued)

room process ventilation; fire protection; plumbing, process and high-purity piping; controls and filtration; water and wastewater treatment and central plant heating and cooling; cranes and rigging; millwrighting; and steel fabrication, erection and welding); (c) United States building services; (d) United States industrial services; and (e) United Kingdom construction and facilities services. The segment "United States building services" principally consists of those operations which provide a portfolio of services needed to support the operation and maintenance of customers' facilities. The segment "United States industrial services" principally consists of those operations which provide industrial maintenance and services, including those for refineries and petrochemical plants. The United Kingdom construction and facilities services segment performs electrical construction, mechanical construction and facilities services.

The following tables have been restated in all periods presented to reflect our new reportable segments (see Note 1, "Basis of Presentation" for further information) and represent information about industry segments and geographic areas for the three and nine months ended September 30, 2013 and 2012 (in thousands):

	For the three months ended September 30,	
	2013	2012
Revenues from unrelated entities:		
United States electrical construction and facilities services	\$340,529	\$318,960
United States mechanical construction and facilities services	616,403	593,448
United States building services	457,777	444,510
United States industrial services	110,879	125,412
Total United States operations	1,525,588	1,482,330
United Kingdom construction and facilities services	103,479	123,912
Total worldwide operations	\$1,629,067	\$1,606,242
Total revenues:		
United States electrical construction and facilities services	\$347,488	\$324,577
United States mechanical construction and facilities services	629,481	603,267
United States building services	471,576	453,490
United States industrial services	111,212	126,867
Less intersegment revenues	(34,169)	(25,871)
Total United States operations	1,525,588	1,482,330
United Kingdom construction and facilities services	103,479	123,912
Total worldwide operations	\$1,629,067	\$1,606,242









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EMCOR Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

## NOTE 12 Segment Information - (Continued)

	For the nine months ended September 30,	
	2013	2012
Operating income (loss):		
United States electrical construction and facilities services	\$68,147	\$68,121
United States mechanical construction and facilities services	56,809	82,688
United States building services	52,928	33,653
United States industrial services	26,319	22,617
Total United States operations	204,203	207,079
United Kingdom construction and facilities services	(2,122)	) 9,090
Corporate administration	(50,953)	) (44,920)
Restructuring expenses	(9,642)	) (145)
Total worldwide operations	141,486	171,104
Other corporate items:		
Interest expense	(5,978)	) (5,460)
Interest income	862	1,165
Income before income taxes	\$136,370	\$166,809

	September 30, 2013	December 31, 2012
Total assets:		
United States electrical construction and facilities services	\$338,483	\$283,997
United States mechanical construction and facilities services	802,528	785,286
United States building services	793,401	841,938
United States industrial services	913,647	358,350
Total United States operations	2,848,059	2,269,571
United Kingdom construction and facilities services	183,172	214,455
Corporate administration	475,528	623,044
Total worldwide operations	\$3,506,759	\$3,107,070

Included in our corporate administration operating loss for the nine months ended September 30, 2013 is the receipt of an insurance recovery of approximately \$2.6 million that was received in January 2013 and is associated with a previously disposed of operation, which is classified as a component of "Cost of sales" on the Condensed Consolidated Statements of Operations. Additionally, included in our corporate administration operating losses for the three and nine months ended September 30, 2013 are \$4.7 million and \$6.1 million, respectively, of transaction costs associated with the RSI acquisition.

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

We are one of the largest electrical and mechanical construction and facilities services firms in the United States and the United Kingdom. We provide services to a broad range of commercial, industrial, utility and institutional customers through approximately 70 operating subsidiaries and joint venture entities. Our offices are located in the United States and the United Kingdom.

During the third quarter of 2013, we completed the acquisition of RepronStrickland, Inc. ("RSI"), a leading provider of recurring turnaround and specialty services to the North American refinery and petrochemical markets. In connection with the acquisition of RSI and to reflect changes in our internal reporting structure and the information used by management to make operating decisions and assess performance, we created a new segment that includes RSI and certain businesses that had been part of our United States facilities services segment. The new segment is called the United States industrial services segment and the segment formerly named United States facilities services segment has been renamed United States building services segment.

Our reportable segments have been restated in all periods presented to reflect the changes in our segments mentioned above. In addition, our reportable segments reflect certain reclassifications of prior year amounts from our United States building services segment to our United States mechanical construction and facilities services segment due to changes in our internal reporting structure.

## Overview

The following table presents selected financial data for the three months ended September 30, 2013 and 2012 (in thousands, except percentages and per share data):

	For the three months ended September 30,			
	2013		2012	
Revenues	\$1,629,067		\$1,606,242	
Revenues increase from prior year	1.4	%	8.4	%
Operating income	\$54,122		\$68,626	
Operating income as a percentage of revenues	3.3	%	4.3	%
Restructuring expenses	\$2,466		\$145	
Net income attributable to EMCOR Group, Inc.	\$26,690		\$39,581	
Diluted earnings per common share from continuing operations	\$0.39		\$0.59	

Although the revenues for the third quarter of 2013 slightly increased compared to the 2012 third quarter, operating income and operating margin (operating income as a percentage of revenues) decreased in the 2013 third quarter compared to the 2012 third quarter. The increase in revenues for the third quarter of 2013 was primarily attributable to \$47.7 million in revenues from companies acquired in 2013, which are reported in our United States industrial services segment and our United States mechanical construction and facilities services segment. Excluding the impact of these acquisitions, revenues for the third quarter of 2013 decreased primarily due to lower revenues from our United States industrial services segment and our United Kingdom construction and facilities services segment. Revenues from the United States industrial services segment in the 2012 third quarter were favorably impacted by three large non-recurring turnaround and repair projects that accounted for \$49.9 million of revenues, resulting in record levels of revenues for a third quarter for that segment. The decrease in revenues for the third quarter of 2013 within the United Kingdom construction and facilities services segment is due to our decision earlier this year to withdraw from the United Kingdom construction market. These decreases were partially offset by higher revenues from our United States electrical construction and facilities services segment, our United States mechanical construction and facilities services segment and our United States building services segment. Third quarter 2013 operating income and operating margin were below that of 2012 as 2012 third quarter gross profit was favorably impacted by three large non-recurring turnaround and repair projects reported within our United States industrial services segment. Offsetting the unfavorable performance in the 2013 third quarter was continued improvement in operating results in our United States building services segment, as well as improved performance in our United States

electrical construction and facilities services segment. Companies acquired in 2013, which are reported in our United States industrial segment and our United States mechanical construction and facilities services segment, had combined operating losses of \$1.7 million, including \$2.4 million of amortization expense associated with identifiable intangible assets for the third quarter of 2013.

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## Operating Segments

We have the following reportable segments: (a) United States electrical construction and facilities services (involving systems for electrical power transmission and distribution; premises electrical and lighting systems; low-voltage systems, such as fire alarm, security and process control; voice and data communication; roadway and transit lighting; and fiber optic lines); (b) United States mechanical construction and facilities services (involving systems for heating, ventilation, air conditioning, refrigeration and clean-room process ventilation; fire protection; plumbing, process and high-purity piping; controls and filtration; water and wastewater treatment and central plant heating and cooling; cranes and rigging; millwrighting; and steel fabrication, erection and welding); (c) United States building services; (d) United States industrial services; and (e) United Kingdom construction and facilities services. The segment "United States building services" principally consists of those operations which provide a portfolio of services needed to support the operation and maintenance of customers' facilities. The segment "United States industrial services" principally consists of those operations which provide industrial maintenance and services, including those for refineries and petrochemical plants. The United Kingdom construction and facilities services segment performs electrical construction, mechanical construction and facilities services.

As previously discussed, we completed the acquisition of RSI during the third quarter of 2013, and its results have been included in our United States industrial services segment since its acquisition. In addition, we completed another acquisition during the second quarter of 2013, and its results have been included in our United States mechanical construction and facilities services segment since its acquisition. Both of these businesses expand our service capabilities into new technical areas.

## Results of Operations

## Revenues

The following tables present our operating segment revenues from unrelated entities and their respective percentages of total revenues (in thousands, except for percentages):

	For the three months ended September 30,				
	2013	% of Total	2012	% of Total	
Revenues:					
United States electrical construction and facilities services	\$340,529	21	% \$318,960	20	%
United States mechanical construction and facilities services	616,403	38	% 593,448	37	%
United States building services	457,777	28	% 444,510	28	%
United States industrial services	110,879	7	% 125,412	8	%
Total United States operations	1,525,588	94	% 1,482,330	92	%
United Kingdom construction and facilities services	103,479	6	% 123,912	8	%
Total worldwide operations	\$1,629,067	100	% \$1,606,242	100	%

	For the nine months ended September 30,				
	2013	% of Total	2012	% of Total	
Revenues:					
United States electrical construction and facilities services	\$984,443	21	% \$905,343	19	%
United States mechanical construction and facilities services	1,741,483	37	% 1,794,268	38	%
United States building services	1,361,392	29	% 1,341,940	28	%
United States industrial services	335,358	7	% 288,605	6	%
Total United States operations	4,422,676	93	% 4,330,156	91	%
United Kingdom construction and facilities services	331,545	7	% 404,642	9	%
Total worldwide operations	\$4,754,221	100	% \$4,734,798	100	%

As described below in more detail, our revenues for the three months ended September 30, 2013 increased to \$1.63 billion compared to \$1.61 billion of revenues for the three months ended September 30, 2012, and our revenues for the nine months ended September 30, 2013 increased to \$4.75 billion compared to \$4.73 billion for the nine months ended September 30, 2012. The increase in revenues for the three months ended September 30, 2013 was primarily attributable to: (a) higher revenues from our

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United States electrical construction and facilities services segment, our United States mechanical construction and facilities services segment and our United States building services segment, excluding acquisitions, and (b) revenues of \$47.7 million attributable to companies acquired in 2013, partially offset by lower revenues from our United States industrial services segment and our United Kingdom construction and facilities services segment. The increase in revenues for the nine months ended September 30, 2013 was primarily attributable to: (a) higher revenues from our United States electrical construction and facilities services segment, our United States building services segment and our United States industrial services segment, excluding acquisitions, and (b) revenues of \$49.5 million attributable to companies acquired in 2013, partially offset by lower revenues from our United States mechanical construction and facilities services segment and our United Kingdom construction and facilities services segment. We continue to be disciplined by only accepting work in a very competitive marketplace that we believe can be performed at reasonable margins.

The following table presents our operating segment backlog from unrelated entities and their respective percentages of total backlog (in thousands, except for percentages):

	September 30, 2013	% of Total	December 31, 2012	% of Total	September 30, 2012	% of Total
Backlog:						
United States electrical construction and facilities services	\$ 1,012,121	30 %	\$ 831,910	25 %	\$ 713,763	21 %
United States mechanical construction and facilities services	1,358,554	40 %	1,357,892	40 %	1,449,322	43 %
United States building services	753,877	22 %	841,882	25 %	902,900	27 %
United States industrial services	96,021	3 %	99,532	3 %	97,003	3 %
Total United States operations	3,220,573	95 %	3,131,216	93 %	3,162,988	94 %
United Kingdom construction and facilities services	172,300	5 %	243,169	7 %	219,185	6 %
Total worldwide operations	\$ 3,392,873	100 %	\$ 3,374,385	100 %	\$ 3,382,173	100 %

Our backlog at September 30, 2013 was \$3.39 billion compared to \$3.38 billion at September 30, 2012 and \$3.37 billion at December 31, 2012. The increase in backlog at September 30, 2013, compared to backlog at September 30, 2012, was primarily attributable to an increase in contracts awarded for work in our United States electrical construction and facilities services segment, partially offset by a decrease in backlog in our: (a) United States building services segment, (b) United States mechanical construction and facilities services segment and (c) United Kingdom construction and facilities services segment. Backlog increases with awards of new contracts and decreases as we perform work on existing contracts. Backlog is not a term recognized under United States generally accepted accounting principles; however, it is a common measurement used in our industry. We include a project within our backlog at such time as a contract is awarded. Backlog includes unrecognized revenues to be realized from uncompleted construction contracts plus unrecognized revenues expected to be realized over the remaining term of facilities services contracts. If the remaining term of a facilities services contract exceeds 12 months, the unrecognized revenues attributable to such contract included in backlog are limited to only the next 12 months of revenues provided for in the initial contract award. Our backlog also includes amounts related to facilities services contracts for which a fixed price contract value is not assigned; however, a reasonable estimate of total revenues can be made from budgeted amounts agreed to with our customer. Our backlog is comprised of: (a) original contract amounts, (b) change orders for which we have received written confirmations from our customers, (c) pending change orders for which we expect to receive confirmations in the ordinary course of business and (d) claim amounts that we have made against customers for which we have determined we have a legal basis under existing contractual arrangements and as to which we consider collection to be probable. Claim amounts were immaterial for all periods presented. Our backlog does not include: (a) any quantification or value for time and material contracts as the total revenues to be realized from such projects are difficult to estimate, (b) anticipated revenues from unconsolidated joint ventures or variable interest entities and (c) anticipated revenues from pass-through costs on contracts for which we are acting in the capacity of an agent and which are reported on the net basis. We believe our backlog is firm, although many contracts



are subject to cancellation at the election of our customers. Historically, cancellations have not had a material adverse effect on us.

Revenues of our United States electrical construction and facilities services segment were \$340.5 million and \$984.4 million for the three and nine months ended September 30, 2013, respectively, compared to revenues of \$319.0 million and \$905.3 million for the three and nine months ended September 30, 2012, respectively. The increase in revenues for both periods was primarily attributable to higher levels of work from commercial, institutional and transportation construction projects, primarily in the Los Angeles and New York City markets, partially offset by a decrease in revenues from water and wastewater construction projects. Revenues for the nine months ended September 30, 2013 also benefited from work completed on several large industrial market contracts in multiple geographic areas.

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Our United States mechanical construction and facilities services segment revenues for the three months ended September 30, 2013 were \$616.4 million, a \$23.0 million increase compared to revenues of \$593.4 million for the three months ended September 30, 2012. Revenues of this segment for the nine months ended September 30, 2013 were \$1,741.5 million, a \$52.8 million decrease compared to revenues of \$1,794.3 million for the nine months ended September 30, 2012. The increase in revenues for the three months ended September 30, 2013 was primarily attributable to higher volume from industrial construction projects and revenues of approximately \$8.4 million generated by a company acquired in 2013, partially offset by a decrease in revenues from institutional and water and wastewater contracts. The decrease in revenues for the nine months ended September 30, 2013 was primarily attributable to declines in revenues from healthcare, institutional and water and wastewater construction projects, partially offset by an increase in revenues from industrial construction projects and revenues of approximately \$10.2 million generated by a company acquired in 2013.

Revenues of our United States building services segment for the three months ended September 30, 2013 increased by \$13.3 million compared to the three months ended September 30, 2012, and revenues for the nine months ended September 30, 2013 increased by \$19.5 million compared to the nine months ended September 30, 2012. The increase in revenues for both periods was primarily attributable to increased revenues from our energy services and our mobile mechanical services, partially offset by a decrease in revenues from our government site-based services. The increase in revenues for both periods from our energy services was due to large project work, and the increase in revenues for both periods from our mobile mechanical services was due to higher project and services revenues. The decrease in revenues for both periods from our government site-based services was primarily due to a reduction in discretionary government project spending and the loss in 2012 of certain maintenance contracts.

Revenues of our United States industrial services segment for the three months ended September 30, 2013 decreased by \$14.5 million compared to the three months ended September 30, 2012, and revenues for the nine months ended September 30, 2013 increased by \$46.8 million compared to the nine months ended September 30, 2012. Revenues decreased for the 2013 third quarter despite revenues of approximately \$39.3 million generated by a company acquired in 2013. Revenues in the 2012 third quarter were favorably impacted by three large non-recurring turnaround and repair projects that accounted for \$49.9 million of revenues. The increase in revenues for the nine months ended September 30, 2013 was primarily due to the \$39.3 million of revenues generated by a company acquired in 2013 and an increase in revenues from our industrial shop services operations.

Our United Kingdom construction and facilities services segment revenues were \$103.5 million and \$331.5 million for the three and nine months ended September 30, 2013, respectively, compared to revenues of \$123.9 million and \$404.6 million for the three and nine months ended September 30, 2012, respectively. The decrease in revenues for both periods was attributable to a decrease in levels of work from its construction operations, as a consequence of both weak market conditions and our decision earlier this year to withdraw from the construction market in the United Kingdom. This decision was based on recurring losses over the last several years in the construction operations of our United Kingdom segment and our negative assessment of construction market conditions in the United Kingdom for the foreseeable future. Revenues for both periods also decreased by \$2.0 million and \$7.1 million, respectively, relating to the effect of unfavorable exchange rates for the British pound versus the United States dollar.

**Cost of sales and Gross profit**

The following tables present our cost of sales, gross profit (revenues less cost of sales) and gross profit margin (gross profit as a percentage of revenues) (in thousands, except for percentages):

	For the three months ended September 30,		For the nine months ended September 30,		
	2013	2012	2013	2012	
Cost of sales	\$1,422,757	\$1,402,994	\$4,175,238	\$4,156,893	
Gross profit	\$206,310	\$203,248	\$578,983	\$577,905	
Gross profit, as a percentage of revenues	12.7	% 12.7	% 12.2	% 12.2	%

Our gross profit increased by \$3.1 million for the three months ended September 30, 2013 compared to the three months ended September 30, 2012. Gross profit increased by \$1.1 million for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012. The increase in gross profit for the three months ended

September 30, 2013 was predominantly attributable to improved profitability within our United States building services segment and our United States electrical construction and facilities services segment. The increase in gross profit for the nine months ended September 30, 2013 was primarily attributable to increases in gross profit from our United States building services segment and our United States industrial services segment. Companies acquired in 2013 within our United States industrial services segment and our United States mechanical construction and facilities services segment contributed \$6.7 million and \$6.8 million to gross profit for the three and nine months ended September 30, 2013, respectively. In addition, the first quarter of 2013 benefited from the receipt of an insurance recovery of approximately \$2.6 million associated with a previously disposed of operation, which is classified as a

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component of "Cost of sales" on the Condensed Consolidated Statements of Operations. Gross profit for both periods was negatively impacted by a decrease in gross profit from: (a) our United States mechanical construction and facilities services segment, as a consequence of losses at two projects from one of our subsidiaries located in the southeastern United States of \$4.2 million for the three months ended September 30, 2013, resulting in a 0.3% impact on consolidated gross profit margin, and losses of \$22.6 million for the nine months ended September 30, 2013, resulting in a 0.5% impact on consolidated gross profit margin, and (b) our United Kingdom construction and facilities services segment.

Our gross profit margin was 12.7% for each of the three months ended September 30, 2013 and 2012. Gross profit margin was 12.2% for each of the nine months ended September 30, 2013 and 2012. Gross profit margin for the three months ended September 30, 2013 increased in our United States building services segment and our United Kingdom construction and facilities services segment and decreased in all our other reportable segments. Gross profit margin for the nine months ended September 30, 2013 increased in our United States building services segment and our United States industrial services segment and decreased in all our other reportable segments.

**Selling, general and administrative expenses**

The following tables present our selling, general and administrative expenses and selling, general and administrative expenses as a percentage of revenues (in thousands, except for percentages):

	For the three months ended September 30,		For the nine months ended September 30,		
	2013	2012	2013	2012	
Selling, general and administrative expenses	\$149,722	\$134,477	\$427,855	\$406,656	
Selling, general and administrative expenses, as a percentage of revenues	9.2	% 8.4	% 9.0	% 8.6	%

Our selling, general and administrative expenses for the three months ended September 30, 2013 increased by \$15.2 million to \$149.7 million compared to \$134.5 million for the three months ended September 30, 2012. Selling, general and administrative expenses for the nine months ended September 30, 2013 increased by \$21.2 million to \$427.9 million compared to \$406.7 million for the nine months ended September 30, 2012. Selling, general and administrative expenses as a percentage of revenues were 9.2% and 9.0% for the three and nine months ended September 30, 2013, respectively, compared to 8.4% and 8.6% for the three and nine months ended September 30, 2012, respectively. This increase in selling, general and administrative expenses for the three and nine months ended September 30, 2013 primarily resulted from: (a) \$8.4 million and \$8.7 million, respectively, of expenses directly related to companies acquired in 2013, including amortization expense attributable to identifiable intangible assets of \$2.4 million in each period, and (b) \$4.7 million and \$6.1 million, respectively, of transaction costs associated with the RSI acquisition. Additionally, selling, general and administrative expenses increased for the nine months ended September 30, 2013 compared to the same period in 2012 due to higher employee related costs, such as salaries and accrued incentive compensation at certain of our operating subsidiaries, partially offset by \$2.9 million of income attributable to the reversal of contingent consideration accruals relating to acquisitions made prior to 2012.

**Restructuring expenses**

Restructuring expenses were \$2.5 million and \$9.6 million for the three and nine months ended September 30, 2013, respectively, which primarily related to employee severance obligations and the termination of leased facilities in the construction operations of our United Kingdom construction and facilities services segment, as a result of our decision earlier this year to withdraw from the construction market in the United Kingdom. Restructuring expenses for the three months ended September 30, 2013 included \$1.9 million of employee severance obligations and \$0.6 million relating to the termination of leased facilities. Restructuring expenses for the nine months ended September 30, 2013 included \$8.4 million of employee severance obligations and \$1.2 million relating to the termination of leased facilities. Restructuring expenses were \$0.1 million for each of the three and nine months ended September 30, 2012, which primarily related to employee severance obligations and the termination of leased facilities incurred in our United States building services segment. As of September 30, 2013, the balance of obligations yet to be paid was \$4.7 million, the majority of which is expected to be paid through 2014. We expect to incur an additional \$3.3 million of expenses in connection with this restructuring through 2014.



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## Operating income

The following tables present our operating income (loss) and operating income (loss) as a percentage of segment revenues from unrelated entities (in thousands, except for percentages):

	For the three months ended September 30,					
	2013	% of Segment Revenues		2012	% of Segment Revenues	
Operating income (loss):						
United States electrical construction and facilities services	\$23,971	7.0	%	\$22,146	6.9	%
United States mechanical construction and facilities services	27,421	4.4	%	30,359	5.1	%
United States building services	23,285	5.1	%	17,690	4.0	%
United States industrial services	307	0.3	%	11,129	8.9	%
Total United States operations	74,984	4.9	%	81,324	5.5	%
United Kingdom construction and facilities services	1,136	1.1	%	1,646	1.3	%
Corporate administration	(19,532)	)	—	(14,199)	)	—
Restructuring expenses	(2,466)	)	—	(145)	)	—
Total worldwide operations	54,122	3.3	%	68,626	4.3	%
Other corporate items:						
Interest expense	(2,352)	)		(1,807)	)	
Interest income	235			381		
Income before income taxes	\$52,005			\$67,200		
	For the nine months ended September 30,					
	2013	% of Segment Revenues		2012	% of Segment Revenues	
Operating income (loss):						
United States electrical construction and facilities services	\$68,147	6.9	%	\$68,121	7.5	%
United States mechanical construction and facilities services	56,809	3.3	%	82,688	4.6	%
United States building services	52,928	3.9	%	33,653	2.5	%
United States industrial services	26,319	7.8	%	22,617	7.8	%
Total United States operations	204,203	4.6	%	207,079	4.8	%
United Kingdom construction and facilities services	(2,122)	)	(0.6)	)	9,090	2.2
Corporate administration	(50,953)	)	—	)	(44,920)	)
Restructuring expenses	(9,642)	)	—	)	(145)	)
Total worldwide operations	141,486	3.0	%	171,104	3.6	%
Other corporate items:						
Interest expense	(5,978)	)		(5,460)	)	
Interest income	862			1,165		
Income before income taxes	\$136,370			\$166,809		

As described below in more detail, operating income was \$54.1 million and \$141.5 million for the three and nine months ended September 30, 2013, respectively, and \$68.6 million and \$171.1 million for the three and nine months ended September 30, 2012. Operating margin was 3.3% for the three months ended September 30, 2013 compared to 4.3% for the three months ended September 30, 2012, and operating margin was 3.0% for the nine months ended September 30, 2013 compared to 3.6% for the nine months ended September 30, 2012.

Operating income of our United States electrical construction and facilities services segment for the three and nine months ended September 30, 2013 was \$24.0 million and \$68.1 million, respectively, compared to operating income of \$22.1 million and \$68.1 million for the three and nine months ended September 30, 2012, respectively. The increase in operating income for the three months ended September 30, 2013 was primarily the result of an increase in gross profit attributable to commercial and institutional construction projects, partially offset by a decrease in gross

profit attributable to water and wastewater construction

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projects. Operating income for the nine months ended September 30, 2013 was flat and primarily the result of an increase in gross profit attributable to commercial, industrial and institutional construction projects, offset by a decrease in gross profit from water and wastewater and transportation construction projects. Additionally, operating income in 2012 benefited from the resolution of a construction claim on a healthcare project during the first three months of 2012. The decline in gross profit for both 2013 periods from water and wastewater projects was primarily related to certain projects nearing completion in 2012 from an operation within the New York City market. Selling, general and administrative expenses were flat for the three months ended September 2013 compared to the 2012 third quarter and increased for the nine months ended September 30, 2013 compared to the same period in 2012.

Our United States mechanical construction and facilities services segment operating income for the three months ended September 30, 2013 was \$27.4 million, a \$2.9 million decrease compared to operating income of \$30.4 million for the three months ended September 30, 2012. Operating income for the nine months ended September 30, 2013 was \$56.8 million, a \$25.9 million decrease compared to operating income of \$82.7 million for the nine months ended September 30, 2012. The results included losses at two projects from one of our subsidiaries located in the southeastern United States of \$4.2 million for the three months ended September 30, 2013, resulting in a 0.7% impact on this segment's operating margin, and losses of \$22.6 million, resulting in a 1.4% impact on this segment's operating margin, for the nine months ended September 30, 2013. One of these projects was in progress at the time of acquisition of the subsidiary. The other project, which was contracted for post-acquisition, has incurred losses principally due to poor performance by a subcontractor on the project which we have replaced. In addition to the effect of these two projects, operating income was unfavorably impacted by a decrease in gross profit from healthcare and water and wastewater construction projects. A company acquired in 2013 generated operating losses of \$0.7 million and \$0.9 million, including amortization expense of \$0.1 million attributable to identifiable intangible assets for the three and nine months ended September 30, 2013, respectively. The decrease in operating income for the nine months ended September 30, 2013 was partially offset by a decrease in selling, general and administrative expenses primarily due to \$2.9 million of income attributable to the reversal of contingent consideration accruals relating to acquisitions made prior to 2012.

Operating income of our United States building services segment for the three months ended September 30, 2013 increased by \$5.6 million compared to operating income for the three months ended September 30, 2012, and operating income for the nine months ended September 30, 2013 increased by \$19.3 million compared to operating income for the nine months ended September 30, 2012. The increase in operating income for both periods was primarily attributable to an increase in gross profit from this segment's: (a) energy services, as a result of profits on large project work, (b) mobile mechanical services, partially as a result of higher project and services revenues and improved job execution, and (c) commercial site-based services, partially attributable to an increase in revenues from snow removal during the first quarter of 2013. The increase in operating income for both periods was partially offset by lower gross profit from our government site-based services as a result of a reduction in discretionary government project spending and the loss in 2012 of certain maintenance contracts. Operating income was negatively impacted by an increase in selling, general and administrative expenses for both periods, primarily due to: (a) an increase in employee related costs, such as incentive compensation due to improved operating results within certain subsidiaries, and (b) a higher provision for doubtful accounts. The increase in operating margin for both periods was primarily the result of an increase in gross profit margin, primarily due to increased margins from our energy services, mobile mechanical services and commercial site-based services operations.

Operating income of our United States industrial services segment for the three months ended September 30, 2013 decreased by \$10.8 million compared to operating income for the three months ended September 30, 2012, and operating income for the nine months ended September 30, 2013 increased by \$3.7 million compared to operating income for the nine months ended September 30, 2012. Operating income in the 2012 third quarter was favorably impacted by three large non-recurring turnaround and repair service projects. The increase in operating income for the nine months ended September 30, 2013 resulted from an increase in the demand for turnaround projects and our heat exchanger services during the first quarter of 2013. Operating income was adversely impacted by a company acquired in 2013 which incurred operating losses of \$1.0 million, including \$2.3 million of amortization expense attributable to identifiable intangible assets for each of the three and nine months ended September 30, 2013.



Our United Kingdom construction and facilities services segment operating income for the three months ended September 30, 2013 was \$1.1 million compared to operating income of \$1.6 million for the three months ended September 30, 2012. This segment's operating losses for the nine months ended September 30, 2013 were \$2.1 million compared to operating income of \$9.1 million for the nine months ended September 30, 2012. These unfavorable results were the result of operating losses of \$2.1 million and \$14.0 million for the three and nine months ended September 30, 2013, respectively, due to its construction operations as a result of lower volume and project write-downs, as well as from both weak market conditions and our decision earlier this year to withdraw from the construction market in the United Kingdom, partially offset by lower selling general and administrative expenses predominantly as a result of lower employee related costs. Operating margin in this segment decreased for both periods due to operating losses from its construction operations.

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Our corporate administration expenses for the three months ended September 30, 2013 were \$19.5 million compared to \$14.2 million for the three months ended September 30, 2012. Our corporate administration expenses for the nine months ended September 30, 2013 were \$51.0 million compared to \$44.9 million for the nine months ended September 30, 2012. The increase in expenses for the three and nine months ended September 30, 2013 compared to the same periods in 2012 was primarily due to \$4.7 million and \$6.1 million, respectively, of transaction costs associated with the RSI acquisition. Also, included in our corporate administration expenses for the nine months ended September 30, 2013 is the receipt of an insurance recovery of approximately \$2.6 million that was received in January 2013 and is associated with a previously disposed of operation, which is classified as a component of "Cost of sales" on the Condensed Consolidated Statements of Operations.

Interest expense for the three months ended September 30, 2013 and 2012 was \$2.4 million and \$1.8 million, respectively. Interest expense for the nine months ended September 30, 2013 and 2012 was \$6.0 million and \$5.5 million, respectively. Interest income for the three months ended September 30, 2013 and 2012 was \$0.2 million and \$0.4 million, respectively. Interest income for the nine months ended September 30, 2013 and 2012 was \$0.9 million and \$1.2 million, respectively.

For the three months ended September 30, 2013 and 2012, our income tax provision was \$23.1 million and \$26.9 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 40.8% and 37.6%, respectively. The actual income tax rates on income before income taxes, less amounts attributable to noncontrolling interests, for the three months ended September 30, 2013 and 2012, inclusive of discrete items, were 46.4% and 40.5%, respectively. For the nine months ended September 30, 2013 and 2012, our income tax provision was \$55.3 million and \$64.7 million, respectively, based on effective income tax rates, before discrete items and less amounts attributable to noncontrolling interests, of 39.9% and 38.0%, respectively. The actual income tax rates on income before income taxes, less amounts attributable to noncontrolling interests, for the nine months ended September 30, 2013 and 2012, inclusive of discrete items, were 41.5% and 39.2%, respectively. The decrease in the 2013 income tax provision was primarily due to reduced income before income taxes and a change in the allocation of earnings amongst various jurisdictions. The increase in the 2013 effective income tax rates was primarily due to the impact of operating losses incurred in the United Kingdom and the effect of the United Kingdom tax rate change on both current and deferred tax balances.

Liquidity and Capital Resources

The following table presents our net cash provided by (used in) operating activities, investing activities and financing activities (in thousands):

	For the nine months ended September 30,	
	2013	2012
Net cash provided by operating activities	\$68,047	\$43,031
Net cash used in investing activities	\$(467,162 )	\$(48,082 )
Net cash provided by (used in) financing activities	\$238,599	\$(34,092 )
Effect of exchange rate changes on cash and cash equivalents	\$(750 )	\$2,201

Our consolidated cash balance decreased by approximately \$161.3 million from \$605.3 million at December 31, 2012 to \$444.0 million at September 30, 2013. Net cash provided by operating activities for the nine months ended September 30, 2013 was \$68.0 million compared to \$43.0 million of net cash provided by operating activities for the nine months ended September 30, 2012. The increase in net cash provided by operating activities, excluding the effect of businesses acquired, was primarily due to: (a) a \$39.2 million decrease in our accounts receivable balances, (b) a \$19.2 million increase in net over-billings, related to the timing of customer billings and payments, partially offset by (c) a \$24.4 million reduction in other accrued expenses, primarily due to a reduction in federal taxes payable, and (d) other changes in our working capital. Net cash used in investing activities was \$467.2 million for the nine months ended September 30, 2013 compared to net cash used in investing activities of \$48.1 million for the nine months ended September 30, 2012. The increase in net cash used in investing activities was primarily due to a \$428.3 million increase in payments for acquisitions of businesses and related contingent consideration arrangement, partially offset

by a \$5.4 million decrease in amounts paid for the purchase of property, plant and equipment. Net cash used in financing activities for the nine months ended September 30, 2013 increased by approximately \$272.7 million compared to the nine months ended September 30, 2012. The increase in net cash provided by financing activities was primarily due to borrowings under our revolving credit facility, an \$18.9 million decrease in funds used for the repurchase of common stock and a \$1.9 million decrease in dividends paid to stockholders. Payment of the regular quarterly dividend that would have been paid the first quarter of 2013 was accelerated and paid in December 2012.

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The following is a summary of material contractual obligations and other commercial commitments (in millions):

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Revolving Credit Facility (including interest at 1.68%) <sup>(1)</sup>	\$421.4	\$6.8	\$13.6	\$401.0	\$—
Capital lease obligations	5.4	2.1	2.7	0.6	—
Operating leases	198.8	53.4	82.8	42.2	20.4
Open purchase obligations <sup>(2)</sup>	805.9	681.8	114.4	9.7	—
Other long-term obligations, including current portion <sup>(3)</sup>	354.5	32.1	317.0	5.4	—
Liabilities related to uncertain income tax positions	14.5	7.8	0.5	4.6	1.6
<b>Total Contractual Obligations</b>	<b>\$1,800.5</b>	<b>\$784.0</b>	<b>\$531.0</b>	<b>\$463.5</b>	<b>\$22.0</b>

  

Other Commercial Commitments	Total Committed	Amount of Commitment Expiration by Period			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Letters of credit	\$79.1	\$5.6	\$73.5	\$—	\$—

<sup>(1)</sup> We classify these borrowings as long-term on our Condensed Consolidated Balance Sheets because of our intent to repay the amounts on a long-term basis. These amounts are outstanding at our discretion and are not payable until the 2011 Revolving Credit Facility expires in November 2016. As of September 30, 2013, there were borrowings of \$400.0 million outstanding under the 2011 Revolving Credit Facility.

Represents open purchase orders for material and subcontracting costs related to construction and service contracts.

<sup>(2)</sup> These purchase orders are not reflected in EMCOR's Condensed Consolidated Balance Sheets and should not impact future cash flows, as amounts should be recovered through customer billings.

Represents primarily insurance related liabilities and liabilities for deferred income taxes, incentive compensation and earn-out arrangements, classified as other long-term liabilities in the Condensed Consolidated Balance Sheets.

Cash payments for insurance related liabilities may be payable beyond three years, but it is not practical to estimate these payments; therefore, the long-term insurance related liabilities are reflected in the 1-3 years payment period.

<sup>(3)</sup> We provide funding to our post retirement plans based on at least the minimum funding required by applicable regulations. In determining the minimum required funding, we utilize current actuarial assumptions and exchange rates to forecast estimates of amounts that may be payable for up to five years in the future. In our judgment, minimum funding estimates beyond a five year time horizon cannot be reliably estimated, and therefore, have not been included in the table.

Effective November 21, 2011, we entered into an amended and restated \$750.0 million revolving credit facility (the "2011 Revolving Credit Facility"). The 2011 Revolving Credit Facility expires on November 21, 2016 and permits us to increase our borrowing to \$900.0 million if additional lenders are identified and/or existing lenders are willing to increase their current commitments. We may allocate up to \$250.0 million of the borrowing capacity under the 2011 Revolving Credit Facility to letters of credit. The 2011 Revolving Credit Facility is guaranteed by most of our direct and indirect subsidiaries and is secured by substantially all of our assets and most of the assets of most of our subsidiaries. The 2011 Revolving Credit Facility contains various covenants providing for, among other things, maintenance of certain financial ratios and certain limitations on payment of dividends, common stock repurchases, investments, acquisitions, indebtedness and capital expenditures. A commitment fee is payable on the average daily unused amount of the 2011 Revolving Credit Facility, which ranges from 0.25% to 0.35%, based on certain financial tests. The fee is 0.25% of the unused amount as of September 30, 2013. Borrowings under the 2011 Revolving Credit

Facility bear interest at (1) a rate which is the prime commercial lending rate announced by Bank of Montreal from time to time (3.25% at September 30, 2013) plus 0.50% to 1.00%, based on certain financial tests or (2) United States dollar LIBOR (0.18% at September 30, 2013) plus 1.50% to 2.00%, based on certain financial tests. The interest rate in effect at September 30, 2013 was 1.68%. Letters of credit fees issued under this facility range from 1.50% to 2.00% of the respective face amounts of the letters of credit issued and are computed based on certain financial tests. We capitalized approximately \$4.2 million of debt issuance costs associated with the 2011 Revolving Credit Facility. This amount is being amortized over the life of the facility and is included as part of interest expense. As of September 30, 2013 and December 31, 2012, we had approximately \$78.9 million and \$84.0 million of letters of credit outstanding, respectively. We have borrowings of \$400.0 million outstanding under the 2011 Revolving Credit Facility at September 30, 2013, which may remain outstanding at our discretion until the 2011 Revolving Credit Facility expires. The terms of our construction contracts frequently require that we obtain from surety companies ("Surety Companies") and provide to our customers payment and performance bonds ("Surety Bonds") as a condition to the award of such contracts. The

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Surety Bonds secure our payment and performance obligations under such contracts, and we have agreed to indemnify the Surety Companies for amounts, if any, paid by them in respect of Surety Bonds issued on our behalf. In addition, at the request of labor unions representing certain of our employees, Surety Bonds are sometimes provided to secure obligations for wages and benefits payable to or for such employees. Public sector contracts require Surety Bonds more frequently than private sector contracts, and accordingly, our bonding requirements typically increase as the amount of public sector work increases. As of September 30, 2013, based on our percentage-of-completion of our projects covered by Surety Bonds, our aggregate estimated exposure, assuming defaults on all our then existing contractual obligations, was approximately \$0.8 billion. The Surety Bonds are issued by Surety Companies in return for premiums, which vary depending on the size and type of bond.

We continually monitor our available limits of Surety Bonds, which we believe to be adequate, and discuss with our current and other Surety Bond providers the amount of Surety Bonds that may be available to us based on our financial strength and the absence of any default by us on any Surety Bond issued on our behalf. However, if we experience changes in our bonding relationships or if there are adverse changes in the surety industry, we may seek to satisfy certain customer requests for Surety Bonds by posting other forms of collateral in lieu of Surety Bonds such as letters of credit or parent company guarantees, by seeking to convince customers to forego the requirement for Surety Bonds, by increasing our activities in business segments that rarely require Surety Bonds such as the facilities services segment, and/or by refraining from bidding for certain projects that require Surety Bonds. There can be no assurance that we would be able to effectuate alternatives to providing Surety Bonds to our customers or to obtain, on favorable terms, sufficient additional work that does not require Surety Bonds to replace projects requiring Surety Bonds that we may decide not to pursue. Accordingly, if we were to experience a reduction in the availability of Surety Bonds, we could experience a material adverse effect on our financial position, results of operations and/or cash flows.

From time to time in the ordinary course of business, we guarantee obligations of our subsidiaries under certain contracts. Generally, we are liable under such an arrangement only if our subsidiary fails to perform its obligations under the contract. Historically, we have not incurred any additional liabilities as a consequence of these guarantees. We do not have any other material financial guarantees or off-balance sheet arrangements other than those disclosed herein.

Our primary source of liquidity has been, and is expected to continue to be, cash generated by operating activities. We also maintain our 2011 Revolving Credit Facility that may be utilized, among other things, to meet short-term liquidity needs in the event cash generated by operating activities is insufficient or to enable us to seize opportunities to participate in joint ventures or to make acquisitions that may require access to cash on short notice or for any other reason. However, negative macroeconomic trends may have an adverse effect on liquidity. Short-term liquidity is also impacted by the type and length of construction contracts in place. During past economic downturns, there were typically fewer small discretionary projects from the private sector, and companies like us aggressively bid larger long-term infrastructure and public sector contracts. Performance of long duration contracts typically requires greater amounts of working capital. While we strive to maintain a net over-billed position with our customers, there can be no assurance that a net over-billed position can be maintained. Our net over-billings, defined as the balance sheet accounts "Billings in excess of costs and estimated earnings on uncompleted contracts" less "Costs and estimated earnings in excess of billings on uncompleted contracts", were \$280.4 million and \$290.5 million as of September 30, 2013 and December 31, 2012, respectively.

On September 26, 2011, our Board of Directors authorized the Company to repurchase up to \$100.0 million of its outstanding common stock. During 2013, we repurchased approximately 0.1 million shares of our common stock for approximately \$5.0 million. Since the inception of the repurchase program, we have repurchased 2.2 million shares of our common stock for approximately \$56.4 million through September 30, 2013, and there remains authorization for us to repurchase approximately \$43.6 million of our shares. The repurchase program does not obligate the Company to acquire any particular amount of common stock and may be suspended, recommenced or discontinued at any time or from time to time without prior notice. Acquisitions under our repurchase program may be made from time to time to the extent permitted by securities laws and other legal requirements, including provisions in our revolving credit facility placing limitations on such repurchases. The repurchase program has been and will be funded from our operations.

On September 26, 2011, we announced our plans to pay a regular quarterly dividend of \$0.05 per common share. We have paid quarterly dividends since October 25, 2011. On December 7, 2012, our Board of Directors declared a special dividend of \$0.25 per share, payable in December 2012, and announced its intention to increase the regular quarterly dividend to \$0.06 per share. In addition, at the December 7, 2012 meeting of our Board of Directors, the regular quarterly dividend that would have been paid in January 2013 was declared, its amount increased to \$0.06 per share and its payment date accelerated to December 28, 2012. We expect that such quarterly dividends will be paid in the foreseeable future. Prior to October 25, 2011, no cash dividends had been paid on the Company's common stock. Our revolving credit facility places limitations on the payment of dividends on our common stock. However, we do not believe that the terms of the credit facility materially limit our ability to pay a quarterly dividend of \$0.06 per share for the foreseeable future. The payment of dividends has been and will be funded from our operations.

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Long-term liquidity requirements can be expected to be met initially through cash generated from operating activities and our 2011 Revolving Credit Facility. Based upon our current credit ratings and financial position, we can reasonably expect to be able to incur long-term debt to fund acquisitions. Over the long term, our primary revenue risk factor continues to be the level of demand for non-residential construction services, which is influenced by macroeconomic trends including interest rates and governmental economic policy. In addition, our ability to perform work is critical to meeting long-term liquidity requirements.

We believe that our current cash balances and our borrowing capacity available under the 2011 Revolving Credit Facility or other forms of financing available to us through borrowings, combined with cash expected to be generated from operations, will be sufficient to provide our short-term and foreseeable long-term liquidity and meet our expected capital expenditure requirements. However, we are a party to lawsuits and other proceedings in which other parties seek to recover from us amounts ranging from a few thousand dollars to over \$10.0 million. We do not believe that any such matters will have a material adverse effect on our financial position, results of operations or liquidity.

### Certain Insurance Matters

As of September 30, 2013 and December 31, 2012, we utilized approximately \$78.9 million and \$84.0 million, respectively, of letters of credit obtained under our 2011 Revolving Credit Facility as collateral for our insurance obligations.

### New Accounting Pronouncements

We review new accounting standards to determine the expected financial impact, if any, that the adoption of such standards will have. As of the filing of this Quarterly Report on Form 10-Q, there were no new accounting standards that were projected to have a material impact on our consolidated financial position, results of operations or liquidity. Refer to Part I, Item 1, “Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 2, New Accounting Pronouncements”, for further information regarding new accounting standards.

### Application of Critical Accounting Policies

Our condensed consolidated financial statements are based on the application of significant accounting policies, which require management to make significant estimates and assumptions. Our significant accounting policies are described in Note 2 – Summary of Significant Accounting Policies of the notes to consolidated financial statements included in Item 8 of the annual report on Form 10-K for the year ended December 31, 2012. We adopted two new accounting pronouncements during the nine months ended September 30, 2013 (see Note 2, “New Accounting Pronouncements”, of the notes to condensed consolidated financial statements for further information). We believe that some of the more critical judgment areas in the application of accounting policies that affect our financial condition and results of operations are the impact of changes in the estimates and judgments pertaining to: (a) revenue recognition from (i) long-term construction contracts for which the percentage-of-completion method of accounting is used and (ii) services contracts; (b) collectibility or valuation of accounts receivable; (c) insurance liabilities; (d) income taxes; and (e) goodwill and identifiable intangible assets.

### Revenue Recognition for Long-term Construction Contracts and Services Contracts

We believe our most critical accounting policy is revenue recognition from long-term construction contracts for which we use the percentage-of-completion method of accounting. Percentage-of-completion accounting is the prescribed method of accounting for long-term contracts in accordance with Accounting Standard Codification (“ASC”) Topic 605-35, “Revenue Recognition – Construction-Type and Production-Type Contracts”, and, accordingly, is the method used for revenue recognition within our industry. Percentage-of-completion is measured principally by the percentage of costs incurred to date for each contract to the estimated total costs for such contract at completion. Certain of our electrical contracting business units measure percentage-of-completion by the percentage of labor costs incurred to date for each contract to the estimated total labor costs for such contract. Application of percentage-of-completion accounting results in the recognition of costs and estimated earnings in excess of billings on uncompleted contracts in our Condensed Consolidated Balance Sheets. Costs and estimated earnings in excess of billings on uncompleted contracts reflected in the Condensed Consolidated Balance Sheets arise when revenues have been recognized but the amounts cannot be billed under the terms of contracts. Such amounts are recoverable from customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract.



Costs and estimated earnings in excess of billings on uncompleted contracts also include amounts we seek or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to both scope and price or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). Such amounts are recorded at estimated net realizable value and take into account factors that may affect our ability to bill unbilled revenues and collect amounts after billing. The profit associated with claim amounts is not recognized until the claim has been settled and payment has been received. We did not recognize any material amounts associated

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with claim settlements during the periods presented. Due to uncertainties inherent in estimates employed in applying percentage-of-completion accounting, estimates may be revised as project work progresses. Application of percentage-of-completion accounting requires that the impact of revised estimates be reported prospectively in the condensed consolidated financial statements. In addition to revenue recognition for long-term construction contracts, we recognize revenues from the performance of facilities services for maintenance, repair and retrofit work consistent with the performance of services, which are generally on a pro-rata basis over the life of the contractual arrangement. Expenses related to all services arrangements are recognized as incurred. Provisions for the entirety of estimated losses on uncompleted contracts are made in the period in which such losses are determined.

**Accounts Receivable**

We are required to estimate the collectibility of accounts receivable. A considerable amount of judgment is required in assessing the likelihood of realization of receivables. Relevant assessment factors include the creditworthiness of the customer, our prior collection history with the customer and related aging of the past due balances. At September 30, 2013 and December 31, 2012, our accounts receivable of \$1,286.2 million and \$1,222.0 million, respectively, included allowances for doubtful accounts of \$11.2 million and \$11.5 million, respectively. The decrease in our allowance for doubtful accounts was primarily due to the write-off of accounts receivable against the allowance for doubtful accounts. Specific accounts receivable are evaluated when we believe a customer may not be able to meet its financial obligations due to deterioration of its financial condition or its credit ratings. The allowance for doubtful accounts requirements are based on the best facts available and are re-evaluated and adjusted on a regular basis as additional information is received.

**Insurance Liabilities**

We have loss payment deductibles for certain workers' compensation, automobile liability, general liability and property claims, have self-insured retentions for certain other casualty claims and are self-insured for employee-related healthcare claims. Losses are recorded based upon estimates of our liability for claims incurred and for claims incurred but not reported. The liabilities are derived from known facts, historical trends and industry averages utilizing the assistance of an actuary to determine the best estimate for the majority of these obligations. We believe the liabilities recognized on our balance sheets for these obligations are adequate. However, such obligations are difficult to assess and estimate due to numerous factors, including severity of injury, determination of liability in proportion to other parties, timely reporting of occurrences and effectiveness of safety and risk management programs. Therefore, if our actual experience differs from the assumptions and estimates used for recording the liabilities, adjustments may be required and will be recorded in the period that the experience becomes known.

**Income Taxes**

We had net deferred income tax liabilities at September 30, 2013 and December 31, 2012 of \$111.6 million and \$35.6 million, respectively, primarily resulting from differences between the carrying value and income tax basis of certain identifiable intangible assets and depreciable fixed assets, which will impact our taxable income in future periods. Included within these net deferred income tax liability balances are deferred income tax assets. A valuation allowance is required when it is more likely than not that all or a portion of a deferred income tax asset will not be realized. As of September 30, 2013 and December 31, 2012, the total valuation allowance on gross deferred income tax assets was approximately \$2.5 million.

**Goodwill and Identifiable Intangible Assets**

As of September 30, 2013, we had \$829.3 million and \$550.8 million, respectively, of goodwill and net identifiable intangible assets (primarily consisting of our contract backlog, developed technology/vendor network, customer relationships, non-competition agreements and trade names), primarily arising out of the acquisition of companies. As of December 31, 2012, goodwill and net identifiable intangible assets were \$566.6 million and \$343.7 million, respectively. The changes to goodwill and net identifiable intangible assets (net of accumulated amortization) since December 31, 2012 were primarily related to the acquisition of two companies during 2013. The determination of related estimated useful lives for identifiable intangible assets and whether those assets are impaired involves significant judgments based upon short and long-term projections of future performance. These forecasts reflect assumptions regarding the ability to successfully integrate acquired companies, as well as macroeconomic conditions. ASC Topic 350, "Intangibles—Goodwill and Other" ("ASC 350") requires goodwill and other identifiable intangible assets

with indefinite useful lives not be amortized, but instead must be tested at least annually for impairment (which we test each October 1, absent any impairment indicators), and be written down if impaired. ASC 350 requires that goodwill be allocated to its respective reporting unit and that identifiable intangible assets with finite lives be amortized over their useful lives.

We test for impairment of our goodwill at the reporting unit level. Our reporting units are consistent with the reportable segments identified in Note 12, "Segment Information", of the notes to condensed consolidated financial statements. In assessing whether our goodwill is impaired, we first qualitatively assess whether it is more likely than not that the fair value of a reporting

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unit is less than its carrying amount using various factors. If after this assessment we are unable to determine that the fair value of a reporting unit exceeds the carrying amount, we proceed to the two-step process as prescribed by ASC 350. The first step of this test compares the fair value of the reporting unit, determined based upon discounted estimated future cash flows, to the carrying amount, including goodwill. If the fair value exceeds the carrying amount, no further work is required and no impairment loss is recognized. If the carrying amount of the reporting unit exceeds the fair value, the goodwill of the reporting unit is potentially impaired and step two of the goodwill impairment test would need to be performed to measure the amount of an impairment loss, if any. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit's goodwill with the carrying amount of the goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss in the amount of the excess is recognized and charged to operations. No impairment of our goodwill was recognized for either of the three or nine month periods ended September 30, 2013 and 2012.

We also test for the impairment of trade names that are not subject to amortization by calculating the fair value using the "relief from royalty payments" methodology. This approach involves two steps: (a) estimating reasonable royalty rates for each trade name and (b) applying these royalty rates to a net revenue stream and discounting the resulting cash flows to determine fair value. This fair value is then compared with the carrying value of each trade name. If the carrying amount of the trade name is greater than the implied fair value of the trade name, an impairment in the amount of the excess is recognized and charged to operations. No impairment of our trade names was recognized for either of the three or nine month periods ended September 30, 2013 and 2012.

In addition, we review for the impairment of other identifiable intangible assets that are being amortized whenever facts and circumstances indicate that their carrying values may not be fully recoverable. This test compares their carrying values to the undiscounted pre-tax cash flows expected to result from the use of the assets. If the assets are impaired, the assets are written down to their fair values, generally determined based on their future discounted cash flows. No impairment of our other identifiable intangible assets was recognized for either of the three or nine month periods ended September 30, 2013 and 2012.

As of September 30, 2013, we had \$829.3 million of goodwill on our balance sheet and, of this amount, approximately 44.7% relates to our United States industrial services segment, 28.6% relates to our United States building services segment, approximately 26.2% relates to our United States mechanical construction and facilities services segment and approximately 0.5% relates to our United States electrical construction and facilities services segment. As of the date of our latest impairment test, October 1, 2012, the fair values of our segment formerly named the United States facilities services segment, our United States mechanical construction and facilities services segment and our United States electrical construction and facilities services segment exceeded their carrying values by approximately \$109.2 million, or 12.8%, \$376.5 million, or 169.4%, and \$306.9 million, or over 2,000%, respectively. The weighted average cost of capital used in testing goodwill for impairment was 12.8% and 12.1% for our domestic construction segments and our former United States facilities services segment, respectively. The perpetual growth rate used was 2.7% for our domestic segments.

We have certain businesses, particularly within our United States industrial services segment, whose results are highly impacted by the demand for some of our offerings within the industrial and oil and gas markets. Future performance of this segment, along with a continued evaluation of the conditions of its end user markets, will be important to ongoing impairment assessments. Should its actual results suffer a decline or expected future results be revised downward, the risk of goodwill impairment or impairment of other identifiable intangible assets would increase. Our development of the present value of future cash flow projections used in impairment testing is based upon assumptions and estimates by management from reviews of our operating results, business plans, anticipated growth rates and margins, and weighted average cost of capital, among others. Those assumptions and estimates can change in future periods, and other factors used in assessing fair value are outside the control of management, such as interest rates. There can be no assurance that estimates and assumptions made for purposes of our goodwill and identifiable asset impairment testing will prove to be accurate predictions of the future. If our assumptions regarding future business performance or anticipated growth rates and/or margins are not achieved, or there is a rise in interest rates, we may be required to record goodwill and/or identifiable asset impairment charges in future periods.

Although we have not yet conducted our October 1, 2013 goodwill and other impairment tests, there have been no impairments recognized through the first nine months of 2013. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such a charge would be material.

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We have not used any derivative financial instruments during the three months ended September 30, 2013, including trading or speculating on changes in commodity prices of materials used in our business.

We are exposed to market risk for changes in interest rates for borrowings under the 2011 Revolving Credit Facility. Borrowings under the 2011 Revolving Credit Facility bear interest at variable rates. As of September 30, 2013, there were borrowings of \$400.0 million outstanding under the 2011 Revolving Credit Facility. This instrument bears interest at (1) a rate which is the prime commercial lending rate announced by Bank of Montreal from time to time (3.25% at September 30, 2013) plus 0.50% to 1.00% based on certain financial tests or (2) United States dollar LIBOR (0.18% at September 30, 2013) plus 1.50% to 2.00% based on certain financial tests. The interest rate in effect at September 30, 2013 was 1.68%. Based on the \$400.0 million borrowings outstanding on the 2011 Revolving Credit Facility, if overall interest rates were to increase by 25 basis points, interest expense, net of income taxes, would increase by approximately \$0.4 million in the next twelve months. Conversely, if overall interest rates were to decrease by 25 basis points, interest expense, net of income taxes, would decrease by approximately \$0.4 million in the next twelve months. Letter of credit fees issued under this facility range from 1.50% to 2.00% of the respective face amounts of the letters of credit issued and are charged based on certain financial tests. The 2011 Revolving Credit Facility expires on November 21, 2016. There is no guarantee that we will be able to renew the 2011 Revolving Credit Facility at its expiration.

We are also exposed to construction market risk and its potential related impact on accounts receivable or costs and estimated earnings in excess of billings on uncompleted contracts. The amounts recorded may be at risk if our customers' ability to pay these obligations is negatively impacted by economic conditions. We continually monitor the creditworthiness of our customers and maintain on-going discussions with customers regarding contract status with respect to change orders and billing terms. Therefore, we believe we take appropriate action to manage market and other risks, but there is no assurance that we will be able to reasonably identify all risks with respect to collectibility of these assets. See also the previous discussion of Accounts Receivable under the heading, "Application of Critical Accounting Policies" in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Amounts invested in our foreign operations are translated into U.S. dollars at the exchange rates in effect at the end of the period. The resulting translation adjustments are recorded as accumulated other comprehensive income (loss), a component of equity, in our Condensed Consolidated Balance Sheets. We believe the exposure to the effects that fluctuating foreign currencies may have on our consolidated results of operations is limited because the foreign operations primarily invoice customers and collect obligations in their respective local currencies. Additionally, expenses associated with these transactions are generally contracted and paid for in their same local currencies.

In addition, we are exposed to market risk of fluctuations in certain commodity prices of materials, such as copper and steel, which are used as components of supplies or materials utilized in both our construction and facilities services operations. We are also exposed to increases in energy prices, particularly as they relate to gasoline prices for our fleet of over 8,500 vehicles. While we believe we can increase our prices to adjust for some price increases in commodities, there can be no assurance that price increases of commodities, if they were to occur, would be recoverable.

Additionally, our fixed price contracts do not allow us to adjust our prices and, as a result, increases in material or fuel costs could reduce our profitability with respect to projects in progress.

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## ITEM 4. CONTROLS AND PROCEDURES.

Based on an evaluation of our disclosure controls and procedures (as required by Rule 13a-15(b) of the Securities Exchange Act of 1934), our President and Chief Executive Officer, Anthony J. Guzzi, and our Executive Vice President and Chief Financial Officer, Mark A. Pompa, have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) are effective as of the end of the period covered by this report.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) during the fiscal quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. – OTHER INFORMATION.

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

The following table summarizes repurchases of our common stock made during the quarter ended September 30, 2013 by us:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plan or Programs
July 1, 2013 to July 31, 2013	None	None	None	\$43,567,147
August 1, 2013 to August 31, 2013	None	None	None	\$43,567,147
September 1, 2013 to September 30, 2013	None	None	None	\$43,567,147

On September 26, 2011, we announced that our Board of Directors had authorized the Company to repurchase up to \$100.0 million of its outstanding common stock. The repurchase program remains in effect. No other shares (1) have been repurchased since the program has been announced other than pursuant to this publicly announced program. Acquisitions under our repurchase program may be made from time to time as permitted by securities laws and other legal requirements.

## ITEM 6. EXHIBITS.

For the list of exhibits, see the Exhibit Index immediately following the signature page hereof, which Exhibit Index is incorporated herein by reference.

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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.

Date: October 24, 2013

EMCOR GROUP, INC.  
(Registrant)

BY:

/s/ ANTHONY J. GUZZI  
Anthony J. Guzzi  
President and  
Chief Executive Officer  
(Principal Executive Officer)

BY:

/s/ MARK A. POMPA  
Mark A. Pompa  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial and Accounting Officer)



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## EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
2(a-1)	Purchase Agreement dated as of February 11, 2002 by and among Comfort Systems USA, Inc. and EMCOR-CSI Holding Co.	Exhibit 2.1 to EMCOR Group, Inc.'s ("EMCOR") Report on Form 8-K dated February 14, 2002
2(a-2)	Purchase and Sale Agreement dated as of August 20, 2007 between FR X Ohmstede Holdings LLC and EMCOR Group, Inc.	Exhibit 2.1 to EMCOR's Report on Form 8-K (Date of Report August 20, 2007)
2(a-3)	Purchase and Sale Agreement, dated as of June 17, 2013 by and among Texas Turnaround LLC, a Delaware limited liability company, Altair Strickland Group, Inc., a Texas corporation, Rep Holdings LLC, a Texas limited liability company, ASG Key Employee LLC, a Texas limited liability company, Repcon Key Employee LLC, a Texas limited liability company, Gulfstar MBII, Ltd., a Texas limited partnership, The Trustee of the James T. Robinson and Diana J. Robinson 2010 Irrevocable Trust, The Trustee of the Steven Rothbauer 2012 Descendant's Trust, The Co-Trustees of the Patia Strickland 2012 Descendant's Trust, The Co-Trustees of the Carter Strickland 2012 Descendant's Trust, and The Co-Trustees of the Walton 2012 Grandchildren's Trust (collectively, "Sellers") and EMCOR Group, Inc.	Exhibit 2.1 to EMCOR's Report on Form 8-K (Date of Report June 17, 2013)
3(a-1)	Restated Certificate of Incorporation of EMCOR filed December 15, 1994	Exhibit 3(a-5) to EMCOR's Registration Statement on Form 10 as originally filed March 17, 1995 ("Form 10")
3(a-2)	Amendment dated November 28, 1995 to the Restated Certificate of Incorporation of EMCOR	Exhibit 3(a-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 1995 ("1995 Form 10-K")
3(a-3)	Amendment dated February 12, 1998 to the Restated Certificate of Incorporation of EMCOR	Exhibit 3(a-3) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 1997 ("1997 Form 10-K")
3(a-4)	Amendment dated January 27, 2006 to the Restated Certificate of Incorporation of EMCOR	Exhibit 3(a-4) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2005 ("2005 Form 10-K")
3(a-5)	Amendment dated September 18, 2007 to the Restated Certificate of Incorporation of EMCOR	Exhibit A to EMCOR's Proxy Statement dated August 17, 2007 for Special Meeting of Stockholders held September 18, 2007
3(b)	Amended and Restated By-Laws	Exhibit 3(b) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 1998 ("1998 Form 10-K")
4(a)	Third Amended and Restated Credit Agreement dated as of November 21, 2011 by and among	Exhibit 4.1(a) to EMCOR's Report on Form 8-K (Date of Report November 21, 2011) ("November

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|------|---|---|
|      | EMCOR Group, Inc. and a subsidiary and Bank of Montreal, as Agent and the lenders listed on the signature pages thereof (the "Credit Agreement")                                    | 2011 Form 8-K")   |
| 4(b) | Third Amended and Restated Security Agreement dated as of February 4, 2010 among EMCOR, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent                            | Exhibit 4.1(b) to the EMCOR's Report on Form 8-K (Date of Report February 4, 2010) ("February 2010 Form 8-K") |
| 4(c) | First Supplement to Third Amended and Restated Security Agreement dated as of November 21, 2011 among the Company, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent | Exhibit 4.1(b) to the November 2011 Form 8-K  |
| 4(d) | Third Amended and Restated Pledge Agreement dated as of February 4, 2010 among EMCOR, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent                              | Exhibit 4.1(c) to the February 2010 Form 8-K  |
| 4(e) | First Supplement to Third Amended and Restated Pledge Agreement dated as of November 21, 2011 among the Company, certain of its U.S. subsidiaries, and Bank of Montreal, as Agent   | Exhibit 4.1(c) to the November 2011 Form 8-K  |

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## EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
4(f)	Second Amended and Restated Guaranty Agreement dated as of February 4, 2010 by certain of EMCOR's U.S. subsidiaries in favor of Bank of Montreal, as Agent	Exhibit 4.1(d) to the February 2010 Form 8-K
4(g)	Reaffirmation and First Supplement to Second Amended and Restated Guaranty Agreement dated as of November 21, 2011 by certain of the Company's U.S. subsidiaries in favor of Bank of Montreal, as Agent	Exhibit 4.1(d) to the November 2011 Form 8-K
4(h)	First Amendment to the Credit Agreement	Exhibit 4(h) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2012 ("2012 Form 10-K")
10(a)	Form of Severance Agreement ("Severance Agreement") between EMCOR and each of Sheldon I. Cammaker, R. Kevin Matz and Mark A. Pompa	Exhibit 10.1 to the April 2005 Form 8-K
10(b)	Form of Amendment to Severance Agreement between EMCOR and each of Sheldon I. Cammaker, R. Kevin Matz and Mark A. Pompa	Exhibit 10(c) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 ("March 2007 Form 10-Q")
10(c)	Letter Agreement dated October 12, 2004 between Anthony Guzzi and EMCOR (the "Guzzi Letter Agreement")	Exhibit 10.1 to EMCOR's Report on Form 8-K (Date of Report October 12, 2004)
10(d)	Form of Confidentiality Agreement between Anthony Guzzi and EMCOR	Exhibit C to the Guzzi Letter Agreement
10(e)	Form of Indemnification Agreement between EMCOR and each of its officers and directors	Exhibit F to the Guzzi Letter Agreement
10(f-1)	Severance Agreement ("Guzzi Severance Agreement") dated October 25, 2004 between Anthony Guzzi and EMCOR	Exhibit D to the Guzzi Letter Agreement
10(f-2)	Amendment to Guzzi Severance Agreement	Exhibit 10(g-2) to the March 2007 Form 10-Q
10(g-1)	Continuity Agreement dated as of June 22, 1998 between Sheldon I. Cammaker and EMCOR ("Cammaker Continuity Agreement")	Exhibit 10(c) to the June 1998 Form 10-Q
10(g-2)	Amendment dated as of May 4, 1999 to Cammaker Continuity Agreement	Exhibit 10(i) to the June 1999 Form 10-Q
10(g-3)	Amendment dated as of March 1, 2007 to Cammaker Continuity Agreement	Exhibit 10(m-3) to the March 2007 Form 10-Q
10(h-1)	Continuity Agreement dated as of June 22, 1998 between R. Kevin Matz and EMCOR ("Matz Continuity Agreement")	Exhibit 10(f) to the June 1998 Form 10-Q
10(h-2)	Amendment dated as of May 4, 1999 to Matz Continuity Agreement	Exhibit 10(m) to the June 1999 Form 10-Q
10(h-3)	Amendment dated as of January 1, 2002 to Matz Continuity Agreement	Exhibit 10(o-3) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 ("March 2002 Form 10-Q")

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10(h-4)	Amendment dated as of March 1, 2007 to Matz Continuity Agreement	Exhibit 10(n-4) to the March 2007 Form 10-Q
10(i-1)	Continuity Agreement dated as of June 22, 1998 between Mark A. Pompa and EMCOR (“Pompa Continuity Agreement”)	Exhibit 10(g) to the June 1998 Form 10-Q
10(i-2)	Amendment dated as of May 4, 1999 to Pompa Continuity Agreement	Exhibit 10(n) to the June 1999 Form 10-Q
10(i-3)	Amendment dated as of January 1, 2002 to Pompa Continuity Agreement	Exhibit 10(p-3) to the March 2002 Form 10-Q
10(i-4)	Amendment dated as of March 1, 2007 to Pompa Continuity Agreement	Exhibit 10(o-4) to the March 2007 Form 10-Q

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## EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
10(j-1)	Change of Control Agreement dated as of October 25, 2004 between Anthony Guzzi ("Guzzi") and EMCOR ("Guzzi Continuity Agreement")	Exhibit E to the Guzzi Letter Agreement
10(j-2)	Amendment dated as of March 1, 2007 to Guzzi Continuity Agreement	Exhibit 10(p-2) to the March 2007 Form 10-Q
10(k-1)	Amendment dated as of March 29, 2010 to Severance Agreement with Sheldon I. Cammaker, Anthony J. Guzzi, R. Kevin Matz and Mark A. Pompa	Exhibit 10.1 to Form 8-K (Date of Report March 29, 2010) ("March 2010 Form 8-K")
10(k-2)	Amendment to Continuity Agreements and Severance Agreements with Sheldon I. Cammaker, Anthony J. Guzzi, R. Kevin Matz and Mark A. Pompa	Exhibit 10(q) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2008 ("2008 Form 10-K")
10(l-1)	EMCOR Group, Inc. Long-Term Incentive Plan ("LTIP")	Exhibit 10 to Form 8-K (Date of Report December 15, 2005)
10(l-2)	First Amendment to LTIP and updated Schedule A to LTIP	Exhibit 10(s-2) to 2008 Form 10-K
10(l-3)	Second Amendment to LTIP	Exhibit 10.2 to March 2010 Form 8-K
10(l-4)	Third Amendment to LTIP	Exhibit 10(q-4) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 ("March 2012 Form 10-Q")
10(l-5)	Fourth Amendment to LTIP	Filed herewith
10(l-6)	Form of Certificate Representing Stock Units issued under LTIP	Exhibit 10(t-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2007 ("2007 Form 10-K")
10(m-1)	2003 Non-Employee Directors' Stock Option Plan	Exhibit A to EMCOR's Proxy Statement for its Annual Meeting held on June 12, 2003 ("2003 Proxy Statement")
10(m-2)	First Amendment to 2003 Non-Employee Directors' Plan	Exhibit 10(u-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2006 ("2006 Form 10-K")
10(n-1)	2003 Management Stock Incentive Plan	Exhibit B to EMCOR's 2003 Proxy Statement
10(n-2)	Amendments to 2003 Management Stock Incentive Plan	Exhibit 10(t-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2003 ("2003 Form 10-K")
10(n-3)	Second Amendment to 2003 Management Stock Incentive Plan	Exhibit 10(v-3) to 2006 Form 10-K
10(o)	Form of Stock Option Agreement evidencing grant of stock options under the 2003 Management Stock Incentive Plan	Exhibit 10.1 to Form 8-K (Date of Report January 3, 2005)
10(p)	Key Executive Incentive Bonus Plan	Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held June 18, 2008 ("2008 Proxy Statement")
10(q)		Exhibit 10(z) to 2009 Form 10-K

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	Consents on December 15, 2009 to Transfer Stock Options by Non-Employee Directors	
10(r)	Form of EMCOR Option Agreement for Executive Officers granted January 2, 2003 and January 2, 2004	Exhibit 4.7 to 2004 Form S-8
10(s)	Option Agreement dated October 25, 2004 between Guzzi and EMCOR	Exhibit A to Guzzi Letter
10(t-1)	2007 Incentive Plan	Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held June 20, 2007
10(t-2)	Option Agreement dated December 13, 2007 under 2007 Incentive Plan between Jerry E. Ryan and EMCOR	Exhibit 10(h)(h-2) to 2007 Form 10-K
10(t-3)	Option Agreement dated December 15, 2008 under 2007 Incentive Plan between David Laidley and EMCOR	Exhibit 10.1 to Form 8-K (Date of Report December 15, 2008)

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## EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
10(t-4)	Form of Option Agreement under 2007 Incentive Plan between EMCOR and each non-employee director electing to receive options as part of annual retainer	Exhibit 10(h)(h-3) to 2007 Form 10-K
10(u-1)	2010 Incentive Plan	Exhibit B to EMCOR's Proxy Statement for its Annual Meeting held on June 11, 2010
10(u-2)	Amendment No. 1 to 2010 Incentive Plan	Exhibit 10(f)(f-2) to EMCOR's Annual Report on Form 10-K for the year ended December 31, 2011 ("2011 Form 10-K")
10(u-3)	Amendment No. 2 to 2012 Incentive Plan	Exhibit 10(t-3) to 2012 Form 10-K
10(u-4)	Form of Option Agreement under 2010 Incentive Plan between EMCOR and each non-employee director with respect to grant of options upon re-election at June 11, 2010 Annual Meeting of Stockholders	Exhibit 10(i)(i-2) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010
10(u-5)	Form of Option Agreement under 2010 Incentive Plan, as amended, between EMCOR and each non-employee director electing to receive options as part of annual retainer	Exhibit 10(q)(q) to 2011 Form 10-K
10(v)	Form of letter agreement between EMCOR and each Executive Officer with respect to acceleration of options granted January 2, 2003 and January 2, 2004	Exhibit 10(b)(b) to 2004 Form 10-K
10(w)	EMCOR Group, Inc. Employee Stock Purchase Plan	Exhibit C to EMCOR's Proxy Statement for its Annual Meeting held June 18, 2008
10(x)	Form of Restricted Stock Award Agreement dated January 3, 2012 between EMCOR and each of Larry J. Bump, Albert Fried, Jr., Richard F. Hamm, Jr., David H. Laidley, Frank T. MacInnis, Jerry E. Ryan and Michael T. Yonker	Exhibit 10(m)(m) to 2011 Form 10-K
10(y-1)	Director Award Program Adopted May 13, 2011, as amended and restated December 14, 2011	Exhibit 10(n)(n) to 2011 Form 10-K
10(y-2)	Form of Amended and Restated Restricted Stock Award Agreement dated December 14, 2011 amending and restating restricted stock award agreement dated June 1, 2011 under Director Award Program with each of Stephen W. Bershada, David A.B. Brown, Larry J. Bump, Albert Fried, Jr., Richard F. Hamm, Jr., David H. Laidley, Jerry E. Ryan and Michael T. Yonker	Exhibit 10(o)(o) to 2011 Form 10-K
10(z)	Restricted Stock Unit Agreement dated May 9, 2011 between EMCOR and Anthony J. Guzzi	Exhibit 10(o)(o) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011
10(a)(a)	Amendment to Option Agreements	Exhibit 10(r)(r) to 2011 Form 10-K
10(b)(b)		Exhibit 10(o)(o) to the March 31, 2012 Form 10-Q

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	Form of Restricted Stock Unit Agreement dated March , 2012 between EMCOR and each of Sheldon I. Cammaker, R. Kevin Matz and Mark A. Pompa	
10(c)(c)	Form of Non-LTIP Stock Unit Certificate	Exhibit 10(p)(p) to the March 31, 2012 Form 10-Q
10(d)(d)	Form of Director Restricted Stock Unit Agreement	Exhibit 10(k)(k) to EMCOR's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 ("June 2012 Form 10-Q")
10(e)(e)	Director Award Program, as Amended and Restated December 6, 2012	Exhibit 10(d)(d) to 2012 Form 10-K
10(f)(f)	EMCOR Group, Inc. Voluntary Deferral Plan	Exhibit 10(e)(e) to 2012 Form 10-K
10(g)(g)	Form of Executive Restricted Stock Unit Agreement	Exhibit 10(f)(f) to 2012 Form 10-K
11	Computation of Basic EPS and Diluted EPS for the three and nine months ended September 30, 2013 and 2012	Note 4 of the Notes to the Condensed Consolidated Financial Statements



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## EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference to or Filed Herewith, as Indicated Below
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Anthony J. Guzzi, the President and Chief Executive Officer	Filed herewith
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Mark A. Pompa, the Executive Vice President and Chief Financial Officer	Filed herewith
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the President and Chief Executive Officer	Furnished
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Executive Vice President and Chief Financial Officer	Furnished
95	Information concerning mine safety violations or other regulatory matters	Exhibit 95 to the June 2012 Form 10-Q
101	The following materials from EMCOR Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, (v) the Condensed Consolidated Statements of Equity and (vi) the Notes to Condensed Consolidated Financial Statements.	Filed