

MASTEC INC
Form 10-Q
August 11, 2014
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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 June 30, 2014
Commission File Number 001-08106

MasTec, Inc.
(Exact Name of Registrant as Specified in Its Charter)
Florida 65-0829355
(State or Other jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

800 S. Douglas Road, 12th Floor,
Coral Gables, FL 33134
(Address of Principal Executive Offices) (Zip Code)
(305) 599-1800
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 (§ 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 if 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. (Check one):

Large accelerated filer Non-accelerated filer

Accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of August 6, 2014, MasTec, Inc. had 81,808,494 shares of common stock, \$0.10 par value, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MASTEC, INC.

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue	\$1,104,556	\$977,624	\$2,068,585	\$1,896,272
Costs of revenue, excluding depreciation and amortization	950,889	822,655	1,791,943	1,614,154
Depreciation and amortization	36,755	33,602	70,249	65,355
General and administrative expenses	54,237	51,900	107,564	100,785
Interest expense, net	12,949	11,838	24,952	21,883
Loss on extinguishment of debt	—	—	—	5,624
Other (income) expense, net	(2,051)	) 322	(4,007)	) (504)
Income from continuing operations before income taxes	\$51,777	\$57,307	\$77,884	\$88,975
Provision for income taxes	(19,714)	) (21,776)	) (29,630)	) (34,124)
Net income from continuing operations	\$32,063	\$35,531	\$48,254	\$54,851
Discontinued operations:				
Net loss from discontinued operations (See Note 4)	\$(149)	) \$(484)	) \$(272)	) \$(1,431)
Net income	\$31,914	\$35,047	\$47,982	\$53,420
Net (loss) income attributable to non-controlling interests	(136)	) 106	(91)	) 109
Net income attributable to MasTec, Inc.	\$32,050	\$34,941	\$48,073	\$53,311
Earnings per share: (See Note 2)				
Basic earnings (loss) per share:				
Continuing operations	\$0.41	\$0.46	\$0.62	\$0.71
Discontinued operations	(0.00)	) (0.01)	) (0.00)	) (0.02)
Total basic earnings per share ^(a)	\$0.41	\$0.46	\$0.62	\$0.70
Basic weighted average common shares outstanding	78,269	76,741	77,810	76,675
Diluted earnings (loss) per share:				
Continuing operations	\$0.37	\$0.42	\$0.56	\$0.65
Discontinued operations	(0.00)	) (0.01)	) (0.00)	) (0.02)
Total diluted earnings per share ^(a)	\$0.37	\$0.41	\$0.56	\$0.63
Diluted weighted average common shares outstanding	86,730	84,558	86,675	84,337

(a) Earnings per share calculations may contain slight summation differences due to rounding.

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

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MASTEC, INC.
 CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (in thousands)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2014	2013	2014	2013
Net income	\$31,914	\$35,047	\$47,982	\$53,420
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of tax (See Note 13)	7,678	(5,952)	2,343	(6,775)
Changes in value of available-for-sale securities, net of tax (See Note 13)	—	(687)	—	(466)
Other comprehensive income (loss)	\$7,678	\$(6,639)	\$2,343	\$(7,241)
Comprehensive income	\$39,592	\$28,408	\$50,325	\$46,179
Comprehensive (loss) income attributable to non-controlling interests	(136)	106	(91)	109
Comprehensive income attributable to MasTec, Inc.	\$39,728	\$28,302	\$50,416	\$46,070

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

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MASTEC, INC.
 CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS
 (in thousands, except share and per share amounts)

	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 15,924	\$ 22,927
Accounts receivable, net of allowance	1,288,672	1,134,693
Inventories, net	115,627	70,185
Prepaid expenses and other current assets, including discontinued operations (See Note 4)	69,429	79,221
Total current assets	\$ 1,489,652	\$ 1,307,026
Property and equipment, net	618,672	488,132
Goodwill	983,133	902,044
Other intangible assets, net	230,592	165,606
Other long-term assets, including discontinued operations (See Note 4)	73,821	60,390
Total assets	\$ 3,395,870	\$ 2,923,198
Liabilities and Equity		
Current liabilities		
Current maturities of long-term debt	\$ 76,914	\$ 51,376
Accounts payable	494,090	424,917
Accrued salaries and wages	63,845	66,455
Other accrued expenses	69,401	71,448
Acquisition-related contingent consideration, current	36,479	67,226
Billings in excess of costs and earnings	109,805	121,641
Other current liabilities, including discontinued operations (See Note 4)	17,940	26,162
Total current liabilities	\$ 868,474	\$ 829,225
Acquisition-related contingent consideration, net of current portion	116,929	112,370
Long-term debt	1,088,666	765,425
Long-term deferred tax liabilities, net	186,538	154,763
Other liabilities	43,949	40,357
Total liabilities	\$ 2,304,556	\$ 1,902,140
Commitments and contingencies (See Note 16)		
Equity		
Preferred stock, \$1.00 par value: authorized shares - 5,000,000; issued and outstanding shares - none	\$—	\$—
Common stock, \$0.10 par value: authorized shares - 145,000,000; issued shares - 87,036,192 and 86,725,372 as of June 30, 2014 and December 31, 2013, respectively	8,704	8,672
Capital surplus	776,301	822,836
Contributed shares	6,002	6,002
Retained earnings	389,937	341,864
Accumulated other comprehensive loss	(10,943)	(13,286)
Treasury stock, at cost: 5,262,831 and 9,467,286 shares as of June 30, 2014 and December 31, 2013, respectively	(83,385)	(150,000)
Total MasTec, Inc. shareholders' equity	\$ 1,086,616	\$ 1,016,088
Non-controlling interests	\$ 4,698	\$ 4,970

Total equity	\$1,091,314	\$1,021,058
Total liabilities and equity	\$3,395,870	\$2,923,198

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

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MASTEC, INC.

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$47,982	\$53,420
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,249	65,355
Non-cash interest expense, including write-off of deferred financing costs on redeemed debt	4,642	6,036
Non-cash stock-based compensation expense	7,480	6,617
Excess tax benefit from stock-based compensation	(3,386)	(1,462)
Provision for deferred income taxes	11,160	7,109
Provision for losses on construction projects, net	(978)	1,387
Provision for losses on operating assets	438	2,851
(Gains) losses on sales of assets, including impairment charges on discontinued operations	(2,593)	(1,752)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(21,270)	(178,566)
Inventories	(37,140)	17,124
Other assets, current and non-current portion	4,655	16,593
Accounts payable and accrued expenses	(8,916)	14,869
Billings in excess of costs and earnings	(12,258)	8,046
Book overdrafts	(1,355)	7,989
Other liabilities, current and non-current portion	(3,391)	(2,759)
Net cash provided by operating activities	\$55,319	\$22,857
Cash flows (used in) provided by investing activities:		
Cash paid for acquisitions, net of cash acquired	(162,901)	(120,544)
Capital expenditures	(67,566)	(57,527)
Proceeds from sale of property and equipment	8,752	5,123
Proceeds from other investments, net	573	4,931
Net cash used in investing activities	\$(221,142)	\$(168,017)
Cash flows provided by (used in) financing activities:		
Proceeds from credit facility	815,840	499,666
Repayments of credit facility	(463,713)	(558,596)
Proceeds from issuance of senior notes	—	400,000
Repayment of senior notes, including convertible notes	(105,325)	(150,000)
Repayments of other borrowings	(7,220)	(18,570)
Payments of capital lease obligations	(23,023)	(21,139)
Payments of tax withholdings and proceeds from stock-based awards, net	(578)	3,982
Excess tax benefit from stock-based compensation	3,386	1,462
Payments of acquisition-related contingent consideration	(58,902)	(12,848)
Payments of financing costs, including call premiums on extinguishment of debt	(1,298)	(11,685)
Net cash provided by financing activities	\$159,167	\$132,272
Net decrease in cash and cash equivalents	(6,656)	(12,888)
Net effect of currency translation on cash	(347)	(274)

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Cash and cash equivalents - beginning of period	22,927	26,767
Cash and cash equivalents - end of period	\$15,924	\$13,605
Cash and cash equivalents of discontinued operations	\$—	\$310
Cash and cash equivalents of continuing operations	\$15,924	\$13,295
Supplemental cash flow information:		
Interest paid	\$20,247	\$17,801
Income taxes paid, net of refunds	\$29,901	\$41,625
Supplemental disclosure of non-cash information:		
Equipment acquired under capital lease	\$44,574	\$56,622
Equipment acquired under financing arrangements	\$5,780	\$23,406
Value of acquisition-related contingent consideration	\$33,612	\$26,721
Value of premium shares issued for convertible notes	\$114,785	\$—

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

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MASTEC, INC.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Business, Basis of Presentation and Significant Accounting Policies

Nature of the Business

MasTec, Inc. (collectively with its subsidiaries, “MasTec” or the “Company”) is a leading infrastructure construction company operating mainly throughout North America across a range of industries. The Company’s primary activities include the engineering, building, installation, maintenance and upgrade of energy, utility and communications infrastructure, such as: petroleum and natural gas pipeline infrastructure; wireless, wireline/fiber and satellite communications; electrical utility transmission and distribution; power generation; and industrial infrastructure. MasTec’s customers are in these industries. MasTec reports its results in five reportable segments: (1)

Communications; (2) Oil and Gas; (3) Electrical Transmission; (4) Power Generation and Industrial; and (5) Other. See Note 15 - Segments and Related Information.

Basis of Presentation

The accompanying condensed unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The accompanying condensed consolidated balance sheet as of December 31, 2013 is derived from the Company’s audited financial statements as of that date. Because certain information and footnote disclosures have been condensed or omitted, these condensed unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2013 contained in the Company’s most recent Annual Report on Form 10-K. In management’s opinion, all normal and recurring adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented have been included. Certain prior year amounts have been reclassified to conform to the current period presentation. Interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. The Company believes that the disclosures made in these condensed unaudited consolidated financial statements are adequate to make the information not misleading.

Principles of Consolidation

The accompanying condensed unaudited consolidated financial statements include MasTec, Inc. and its subsidiaries and include the accounts of all majority owned subsidiaries over which the Company exercises control and, when applicable, entities in which the Company has a controlling financial interest. Other parties’ interests in companies for which MasTec exercises control and has a controlling financial interest are reported as non-controlling interests within equity. Net income or loss attributable to non-controlling interests is reported as a separate line item below net income. The Company’s investments in entities in which the Company does not have a controlling interest, but has the ability to exert significant influence, are accounted for using the equity method of accounting. Equity method investments are recorded as long-term assets in the condensed unaudited consolidated balance sheets. Income or loss from these investments is recorded in other income or expense, net, in the condensed unaudited consolidated statements of operations. The Company’s investments in entities in which the Company does not have the ability to exert significant influence are accounted for using the cost method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation. The assets and liabilities of foreign subsidiaries are translated into U.S. dollars at period-end exchange rates, with resulting translation gains or losses accumulated within other comprehensive income or loss. Revenue and expenses are translated into U.S. dollars at average rates of exchange prevailing during the applicable period. Gains or losses resulting from transactions executed in a foreign currency are included in other income or expense, net. The Company does not currently have any subsidiaries that operate in highly inflationary environments. The results of operations and financial position of any discontinued operations are aggregated and presented separately from the Company’s continuing operations in the condensed unaudited consolidated financial statements for all periods presented.

Investments in Affiliates and Other Entities

In the ordinary course of business, the Company enters into various investment arrangements, which may include equity interests in business entities including contractual joint ventures or other forms of equity participation. Additionally, the Company's ordinary course investments may include financing arrangements, such as the extension of loans. Under certain of these arrangements, the Company provides infrastructure construction services to or through these equity investees and/or joint ventures. The Company's management determines whether such investments involve a variable interest entity ("VIE") based on the characteristics of the particular entity. If management determines that the particular entity is a VIE, then management determines if the Company is the primary beneficiary of the entity and whether or not consolidation of the VIE within the Company's financial statements is required. The primary beneficiary consolidating the VIE must normally have both (i) the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE, which, in either case, could be significant to the VIE. If management determines that the Company is the primary beneficiary of a VIE, then the VIE would be consolidated, and the other party's equity interest in the VIE would be accounted for as a non-controlling interest. As of June 30, 2014, the Company was not the primary beneficiary of any VIE. In cases where management determines that the Company has an undivided interest in the assets, liabilities, revenues and profits of an unincorporated VIE, such amounts are consolidated on a basis proportional to MasTec's ownership interest in the unincorporated entity.

Management Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Key estimates include: the recognition of revenue and gross profit or

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loss, in particular, on long-term construction contracts, which rely upon estimates of costs to complete projects, ultimate project gross profit and the amount of contract price adjustments that are probable; allowances for doubtful accounts; accrued self-insured claims; estimated fair values of goodwill and intangible assets, acquisition-related contingent consideration, convertible debt obligations and investments in cost and equity method investees; asset lives used in computing depreciation and amortization, including amortization of intangible assets; share-based compensation; accounting for income taxes; and the estimated impact of contingencies and ongoing litigation. While management believes that such estimates are fair when considered in conjunction with the consolidated financial position and results of operations taken as a whole, actual results could differ from those estimates and such differences may be material to the condensed unaudited consolidated financial statements.

Significant Accounting Policies

Revenue Recognition

Revenues are derived from projects performed under master and other service agreements as well as from fixed price contracts for specific projects or jobs requiring the construction and installation of an entire infrastructure system or specified units within an entire infrastructure system. Revenue and related costs for master and other service agreements billed on a time and materials basis are recognized as the services are rendered. The Company also performs services under master and other service agreements on a fixed fee basis, under which MasTec furnishes specified units of service for a fixed price per unit of service and revenue is recognized as the services are rendered. Revenues from fixed price contracts provide for a fixed amount of revenue for the entire project, subject to certain additions for changed scope or specifications. Revenues from these contracts are recognized using the percentage-of-completion method. Under this method, the percentage of revenue to be recognized for a given project is measured by the percentage of costs incurred to date on the contract to the total estimated costs for the contract. Such contracts provide that the customer accept completion of progress to date and compensate the Company for services rendered, which may be measured in terms of costs incurred, units installed, hours expended or some other measure of progress.

The Company may incur costs subject to change orders, whether approved or unapproved by the customer, and/or claims related to certain contracts. Management determines the probability that such costs will be recovered based upon evidence such as engineering studies and legal opinions, past practices with the customer, specific discussions, correspondence or preliminary negotiations with the customer. The Company treats project costs as a cost of contract performance in the period incurred if it is not probable that the costs will be recovered, or defers costs and/or recognizes revenue up to the amount of the related cost if it is probable that the contract price will be adjusted and can be reliably estimated. As of June 30, 2014 and December 31, 2013, the Company had approximately \$68 million and \$79 million, respectively, of change orders and/or claims that had been included as contract price adjustments on certain contracts that were in the process of being negotiated in the normal course of business, including arbitration and other proceedings. These contract price adjustments represent management's best estimate of additional contract revenues that have been earned and that management believes are probable of collection. The amounts ultimately realized upon final acceptance by its customers could be higher or lower than such estimated amounts, which are primarily expected to be billed and collected within one year.

Except for adoption of the accounting pronouncement discussed below, there have been no material changes to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

New Accounting Pronouncements

Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of this ASU is that a company will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance and will be required to disclose information about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including disclosure of assumptions and estimates where significant judgment has been applied. ASU 2014-09 is effective using

either the retrospective or cumulative effect transition method for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early application is not permitted. The Company is currently evaluating the potential impact of this ASU on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). ASU 2014-08 changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Only disposals of components of an entity representing a strategic shift that has, or will have, a major effect on an entity’s operations and financial results should be reported as discontinued operations under ASU 2014-08. Examples include a disposal of a major geographical area, a major line of business, or a major equity method investment. ASU 2014-08 also requires expanded disclosures about discontinued operations and requires disclosures about individually significant dispositions that do not qualify as discontinued operations. ASU 2014-08 is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted only for disposals that have not been previously reported. The Company is currently evaluating the potential impact of this ASU on its consolidated financial statements.

Recently Adopted Accounting Pronouncements

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force) (“ASU 2013-11”). ASU 2013-11 provides guidance on the presentation in the financial statements of an unrecognized tax benefit, or a portion of an unrecognized tax benefit, and explains that unrecognized tax benefits should be presented as a reduction to deferred tax assets for net operating loss carryforwards, similar tax losses or tax credit carryforwards. To the extent a net operating loss carryforward, similar tax loss or tax credit carryforward is not

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available as of the reporting date under the tax law of the applicable jurisdiction, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. ASU 2013-11 applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, similar tax loss, or tax credit carryforward exists as of the reporting date. ASU 2013-11 is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The Company adopted ASU 2013-11 as of January 1, 2014. The adoption of this ASU did not have a material impact on the condensed unaudited consolidated financial statements.

Note 2 – Earnings Per Share

Basic earnings per share is computed by dividing earnings available to MasTec's common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing earnings by the number of fully diluted shares, which includes the effect of dilutive potential issuances of common shares as determined using earnings from continuing operations. The potential issuance of common shares upon the exercise, conversion or vesting of outstanding stock options and unvested restricted share awards, as calculated under the treasury stock method, as well as shares associated with the Company's outstanding convertible debt securities, may be dilutive.

The following table provides details underlying the Company's earnings per share calculations for the periods indicated (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income attributable to MasTec:				
Net income, continuing operations - basic ^(a)	\$32,199	\$35,425	\$48,345	\$54,742
Interest expense, net of tax, 2009 Convertible Notes	68	79	146	157
Net income, continuing operations - diluted	\$32,267	\$35,504	\$48,491	\$54,899
Net loss from discontinued operations - basic and diluted ^(a)	(149)	(484)	(272)	(1,431)
Net income attributable to MasTec - diluted	\$32,118	\$35,020	\$48,219	\$53,468
Weighted average shares outstanding:				
Weighted average shares outstanding - basic	78,269	76,741	77,810	76,675
Dilutive common stock equivalents	750	776	799	781
Dilutive premium shares, 2011 Convertible Notes	7,024	6,235	7,320	6,075
Dilutive shares, 2009 Convertible Notes	687	806	746	806
Weighted average shares outstanding - diluted	86,730	84,558	86,675	84,337

(a) Calculated as total net income less amounts attributable to non-controlling interests.

Outstanding Convertibles Notes - Diluted Share Impact

As of June 30, 2014, the Company had \$100 million aggregate principal amount of 4.25% senior convertible notes outstanding (the "4.25% Convertible Notes"), composed of \$97.0 million of 4.25% Convertible Notes issued in 2011 (the "2011 4.25% Notes") and approximately \$3.0 million of 4.25% Convertible Notes issued in 2009 (the "2009 4.25% Notes"). In June 2014, \$115 million aggregate principal amount of 4.0% senior convertible notes (the "4.0% Convertible Notes") matured. Upon maturity, the 4.0% Convertible Notes were converted by the holders and the Company paid \$105.3 million in cash and issued 4.2 million shares of common stock in respect of such notes. The 4.0% Convertible Notes were composed of \$105.3 million of 4.0% Convertible Notes issued in 2011 (the "2011 4.0% Notes") and \$9.6 million of 4.0% Convertible Notes issued in 2009 (the "2009 4.0% Notes"). The 2009 4.0% Notes and the 2009 4.25% Notes are collectively referred to as the "2009 Convertible Notes," and the 2011 4.0% Notes and the 2011 4.25% Notes are collectively referred to as the "2011 Convertible Notes." See Note 9 - Debt for additional information.

Dilutive shares associated with the 2009 Convertible Notes are attributable to the underlying principal amounts. The number of common shares issuable upon conversion of the Company's 2009 Convertible Notes is reflected in the

calculation of weighted average diluted earnings per share for the corresponding periods by application of the "if-converted" method to the extent its effect on the computation of earnings per share from continuing operations is dilutive. Under the "if-converted" method, net income from continuing operations is adjusted to add back the after-tax amount of interest recognized for the period associated with the convertible notes, and correspondingly, the convertible notes are assumed to have been converted with the resulting common shares added to the number of weighted average shares outstanding. The 2011 Convertible Notes have an optional cash settlement feature under which the Company settled the principal amount of the 2011 4.0% Notes in cash, and the Company intends to settle in cash the principal amount of the 2011 4.25% Notes. Given the Company's intention, dilutive shares associated with the 2011 Convertible Notes are derived from the premium value of the notes in excess of their principal amount, calculated using the treasury stock method. The Company refers to these shares as the "premium shares."

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The 2011 4.0% Notes, which matured and were converted in June 2014, were convertible at \$15.76 per share, and the 2011 4.25% Notes are convertible at \$15.48 per share. The calculations underlying the number of premium shares included in the Company's diluted share count for the periods indicated are as follows (in thousands, except per share amounts):

	As of and for the Three Months			As of and for the Six Months		
	Ended June 30,			Ended June 30,		
	2014	2013	2011	2014	2013	2011
Premium Share Information:	4.25%	4.0%	4.25%	4.25%	4.0%	4.25%
	Notes	Notes	Notes	Notes	Notes	Notes
Number of conversion shares, principal amount	6,268	6,683	6,268	6,268	6,683	6,268
Weighted average actual per share price	\$37.68	\$30.13	\$30.13	\$37.82	\$29.43	\$29.43
Weighted average premium value	\$139,170	\$96,021	\$91,837	\$140,047	\$91,325	\$87,433
Weighted average equivalent premium shares	3,693	3,187	3,048	3,703	3,104	2,971

There were 3.3 million and 3.6 million weighted average equivalent premium shares included in the Company's dilutive share calculation for the three and six month periods ended June 30, 2014, respectively, related to the 2011 4.0% Notes, as calculated based on the average price per share of the Company's common stock from the beginning of the respective periods through June 15, 2014, the date of maturity. The Company's outstanding share count for the three and six month periods ended June 30, 2014 also included 0.6 million and 0.3 million weighted average shares, respectively, related to the 3.6 million premium shares issued upon maturity and conversion of the 2011 4.0% Notes. In addition, there were a total of 0.6 million shares included in the Company's diluted share count for the three and six month periods ended June 30, 2014 related to the 2009 4.0% Notes, which also matured and were converted in June 2014. See Note 9 - Debt.

Diluted Shares, Other Information

A total of 304,600 and 182,218 weighted average anti-dilutive common stock equivalents were not included in the Company's diluted earnings per share calculations for the three and six month periods ended June 30, 2014, respectively, and a total of 123,077 and 61,878 weighted average anti-dilutive common stock equivalents were not included in the Company's diluted earnings per share calculations for the three and six month periods ended June 30, 2013.

Note 3 – Acquisitions

Allocations of purchase prices for acquisitions are based on estimates of the fair value of consideration paid and of the net assets acquired and are subject to adjustment upon finalization of these fair value estimates. The Company acquired several businesses during 2013 and 2014, as discussed below and in Note 3 - Acquisitions in the notes to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013. As of June 30, 2014, the allocations of purchase price to the fair values of tangible and intangible assets and liabilities, including the estimated values of contingent earn-out obligations and the estimated useful lives of acquired assets for certain acquisitions are provisional and remain preliminary. Management continues to assess the valuation of these items and any ultimate purchase price adjustments that may result based on the final net assets and net working capital of the acquired businesses, as prescribed in the corresponding purchase agreements.

The Company will revise its preliminary allocations for acquired businesses if new information is obtained about the facts and circumstances existing as of the date of acquisition, or for purchase price adjustments, based on the final net assets and net working capital of the acquired businesses, as prescribed in the applicable purchase agreement. Such adjustments result in the recognition of, or adjust the fair values of, acquired assets and assumed liabilities, which results in the revision of comparative prior period financial information. These measurement period adjustments are presented as if the adjustments had been taken into account as of the date of acquisition. All changes that do not qualify as measurement period adjustments are included in current period results. See table below pertaining to measurement period adjustments associated with the Company's 2013 acquisitions.

2014 Acquisitions

Pacer

Effective June 1, 2014, MasTec acquired all of the issued and outstanding equity interests of Pacer Construction Holdings Corporation and its affiliated operating companies (collectively, "Pacer"). Pacer is a western Canadian civil construction services company, headquartered in Calgary, Alberta, Canada. Pacer's services include infrastructure construction in support of the oil and gas production, processing, mining and transportation industries. Pacer, a leading contractor in the Canadian oil sands, is expected to significantly enhance MasTec's ability to lead the development of energy infrastructure work in western Canada and take advantage of the associated rapidly expanding opportunities anticipated for energy infrastructure work in North America in the coming years. Pacer is reported within the Company's Oil and Gas segment.

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The following table summarizes the preliminary estimated fair values of consideration paid and the identifiable assets acquired and liabilities assumed as of the date of acquisition (in millions):

Purchase price consideration:	June 1, 2014
Cash	\$126.5
Fair value of contingent consideration (earn-out liability)	24.3
Total consideration transferred	\$150.8
Identifiable assets acquired and liabilities assumed:	
Current assets	\$118.4
Equity method investments	3.5
Other long-term assets	8.7
Property and equipment	72.8
Pre-qualifications	39.2
Finite-lived intangible assets	19.6
Current liabilities	(48.0)
Long-term debt	(87.0)
Deferred income taxes	(29.3)
Total identifiable net assets	\$97.9
Goodwill	\$52.9
Total net assets acquired, including goodwill	\$150.8

The fair values and weighted average useful lives of Pacer's acquired finite-lived intangible assets as of the date of acquisition were assigned as follows:

	Fair Value	Weighted Average Useful Life
	(in millions)	(in years)
Amortizing intangible assets:		
Backlog	\$5.4	2
Non-compete agreements	2.3	8
Customer relationships	11.9	9
Total acquired amortizing intangibles	\$19.6	7

Finite-lived intangible assets will be amortized in a manner consistent with the pattern in which the related benefits are expected to be consumed. The intangible asset related to Pacer's pre-qualifications with companies in the oil and gas industry has been assigned an indefinite life as the pre-qualifications are not expected to expire or diminish in value, and the companies to which they relate have extremely long operating histories. Goodwill arising from the acquisition represents the estimated value of Pacer's geographic presence in key high growth Canadian markets, its assembled workforce, its management team's industry-specific project management expertise and synergies expected to be achieved from the combined operations of Pacer and MasTec. The goodwill balance is not tax deductible.

The value of the current assets and property and equipment acquired and current liabilities assumed include Pacer's undivided interest in an unincorporated VIE that provides civil construction services, and is accounted for on a proportional basis. The equity method investments include two entities that provide heavy industrial construction services. For both the three and six month periods ended June 30, 2014, revenue recognized by the Company for infrastructure construction services on behalf of these business entities totaled \$1.0 million, and as of June 30, 2014, receivables from infrastructure construction services provided by Pacer, including acquired receivables, totaled \$8.1 million. As of June 30, 2014, other amounts due Pacer from its equity method investees and joint venture included aggregate financing receivables of \$12.1 million, of which \$4.7 million was included in other current assets and \$7.4 million was included in other long-term assets. In connection with these business entities, Pacer has issued performance guarantees, on a joint and several basis with its other joint venture partners or other shareholders in such entities, of approximately \$225.0 million, and has approximately \$35.0 million of other financial guarantees, of which the Company believes an immaterial amount is at risk as of June 30, 2014, as most of the related projects are completed, substantially completed, or on schedule with no material issues or delays anticipated. The Company

believes these receivables and guarantees represent variable interests. Pacer does not have the power to control the primary activities, nor is it the primary beneficiary of, these business entities. The Company may provide financial support to these business entities in the future.

The contingent earn-out obligation is equal to 25% of the excess, if any, of Pacer's earnings from continuing operations before interest, taxes, depreciation and amortization ("EBITDA") above certain thresholds for a five-year period, as set forth in the purchase agreement, and is payable annually in cash. The fair value of the earn-out liability was estimated using an income approach and incorporates significant inputs not observable in the market. Key assumptions in the estimated valuation include the discount rate and probability-weighted EBITDA projections. The range of potential undiscounted payments that MasTec could be required to make under the earn-out arrangement is estimated to be between \$0 and \$63 million; however, there is no maximum earn-out payment amount.

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Other 2014 Acquisitions

Effective April 1, 2014, MasTec acquired 100% of a telecommunications services firm that specializes in the installation of in-home security systems for an aggregate purchase price composed of approximately \$18.1 million in cash and a five year earn-out, valued at \$0.6 million as of the date of acquisition. Additionally, effective January 1, 2014, MasTec acquired 100% of a telecommunications services firm that specializes in the engineering, installation, furnishing and integration of telecommunications equipment for an aggregate purchase price composed of approximately \$23.8 million in cash and a five year earn-out, valued at \$8.7 million as of the date of acquisition. These companies are included in MasTec's Communications segment.

2013 Acquisitions

Big Country

Effective May 1, 2013, MasTec acquired all of the issued and outstanding interests of Big Country Energy Services, Inc. and its affiliated operating companies (collectively, "Big Country"). Big Country is a North American oil and gas pipeline and facility construction services company, headquartered in Calgary, Alberta, Canada.

Other 2013 Acquisitions

Effective April 1, 2013, MasTec acquired a former subcontractor to its wireless business, which provides self-perform communications tower construction, installation, maintenance and other services in support of telecommunications infrastructure construction in the Company's Communications segment. In addition, effective August 1, 2013, MasTec acquired an electrical transmission services company, which focuses primarily on substation construction activities and is included within the Company's Electrical Transmission segment.

Measurement Period Adjustments

Measurement period adjustments associated with the Company's 2013 acquisitions have been reflected in the Company's December 31, 2013 consolidated balance sheet as follows (in millions):

As of December 31, 2013:	As Previously Reported	Measurement Period Adjustments	As Revised
Current assets	\$1,306.0	\$1.0	\$1,307.0
Goodwill	\$899.4	\$2.6	\$902.0
Current liabilities	\$825.5	\$3.7	\$829.2
Long-term deferred tax liabilities, net	\$154.9	\$(0.1)	\$154.8

Unaudited Pro Forma Information

The following unaudited supplemental pro forma financial information includes the results of operations of each of the companies acquired in 2014 and 2013 and is presented as if the acquired companies had been consolidated as of the beginning of the year immediately preceding the date of acquisition. The unaudited supplemental pro forma financial information has been provided for illustrative purposes only. The unaudited supplemental pro forma financial information does not purport to be indicative of the actual results that would have been achieved by the combined companies for the periods presented, or of the results that may be achieved by the combined companies in the future. Future results may vary significantly from the results reflected in the following unaudited supplemental pro forma financial information because of future events and transactions, as well as other factors, many of which are beyond MasTec's control.

The unaudited supplemental pro forma financial information presented below has been prepared by adjusting the historical results of MasTec to include the historical results of the acquired businesses described above. The unaudited supplemental pro forma combined historical results were then adjusted (i) to remove one-time acquisition costs; (ii) to increase amortization expense resulting from the incremental intangible assets acquired in such acquisitions; (iii) to increase interest expense as a result of the cash consideration paid; and (iv) to reduce interest expense from the repayment of acquired debt. The unaudited supplemental pro forma financial information does not include any adjustments to reflect the impact of cost savings or other synergies that may result from these acquisitions. As noted above, the unaudited supplemental pro forma financial information does not purport to be indicative of the actual

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results that would have been achieved by the combined companies for the periods presented or that may be achieved by the combined companies in the future.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Pro forma financial information:	(unaudited, in millions)		(unaudited, in millions)	
Revenue	\$1,161.9	\$1,135.9	\$2,186.4	\$2,249.9
Net income from continuing operations	\$33.3	\$37.2	\$47.9	\$64.2

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Results of Businesses Acquired

Revenues and net income resulting from the year over year incremental impact of acquired businesses, which are included within the Company's consolidated results of operations for the periods indicated, are as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Year over year impact of acquired businesses:	(unaudited, in millions)		(unaudited, in millions)	
Revenue	\$89.4	\$85.6	\$209.2	\$128.7
Net income from continuing operations	\$1.1	\$3.5	\$2.2	\$5.3

The above results do not include acquisition costs of \$1.2 million and \$0.8 million for the three month periods ended June 30, 2014 and June 30, 2013, respectively, and \$1.5 million and \$1.3 million for the six month periods ended June 30, 2014 and June 30, 2013, respectively. The above results also do not include interest expense associated with consideration paid for these acquisitions.

Note 4 – Discontinued Operations

Globetec

In 2012, the Company's board of directors approved a plan of sale for Globetec Construction, LLC ("Globetec"). Accordingly, Globetec's projects and assets are reflected as assets and liabilities of discontinued operations in the condensed unaudited consolidated balance sheets for all periods presented, and Globetec's results of operations are presented as discontinued operations in the condensed unaudited consolidated statements of operations for all periods presented. Effective August 31, 2013, the Company sold all of its membership interests in Globetec for nominal consideration and retained certain contingent assets and liabilities. As of June 30, 2014, the Company had certain outstanding surety bonds associated with Globetec, for which the work had been substantially completed. The Company believes that there was an insignificant amount at risk under these surety bonds as of June 30, 2014. The Company is not obligated and does not intend to support Globetec in the future.

The following table contains a summary of the contingent assets and liabilities associated with Globetec that were retained by the Company as of June 30, 2014 and as of December 31, 2013 (in millions):

	June 30, 2014	December 31, 2013
Current assets	\$2.1	\$2.3
Long-term assets	10.1	10.1
Assets of discontinued operations	\$12.2	\$12.4
Current liabilities of discontinued operations	\$1.2	\$1.2

The following table presents results from discontinued operations associated with the Globetec operation for the periods indicated (in millions):

	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2013
Revenue	\$6.9	\$13.2
Loss from operations, before tax	(0.9	) (2.1
Impairment of assets, before tax	(0.3	) (0.3
Income tax benefit	0.7	1.0
Net loss from discontinued operations	\$(0.5	) \$(1.4

For the three and six month periods ended June 30, 2014, net loss from discontinued operations, which related primarily to certain contingencies, totaled \$0.1 million and \$0.3 million, respectively.

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Note 5 - Goodwill and Other Intangible Assets

The following table provides a reconciliation of changes in goodwill by reportable segment (in millions):

	Communications	Oil and Gas	Electrical Transmission	Power Generation and Industrial	Total Goodwill
Balance as of December 31, 2013	\$ 326.8	\$307.7	\$ 149.9	\$117.6	\$902.0
Additions from new business combinations	28.6	52.9	—	—	81.5
Currency translation adjustments	—	0.9	—	—	0.9
Other adjustments	\$(1.3)	\$—	\$—	\$—	\$(1.3)
Balance as of June 30, 2014	\$ 354.1	\$361.5	\$ 149.9	\$117.6	\$983.1

The following table provides a reconciliation of changes in other intangible assets (in millions):

	Other Intangible Assets				Total
	Non-amortizing		Amortizing		
	Trade Names	Pre-Qualifications	Customer Relationships and Backlog	Other ^(a)	
Gross carrying amount as of December 31, 2013	\$34.8	\$ 59.4	\$128.4	\$22.5	\$245.1
Accumulated amortization			\$(67.7)	\$(11.8)	\$(79.5)
Other intangible assets, net, as of December 31, 2013	\$34.8	\$ 59.4	\$60.7	\$10.7	\$165.6
Additions from new business combinations	—	39.2	32.4	2.7	74.3
Amortization expense			(9.4)	(1.0)	(10.4)
Currency translation adjustments	—	0.7	0.3	0.1	1.1
Other intangible assets, net, as of June 30, 2014	\$34.8	\$ 99.3	\$84.0	\$12.5	\$230.6

(a) Consists principally of amortizing trade names and non-compete agreements.

Amortization expense associated with intangible assets for the three month periods ended June 30, 2014 and 2013 totaled \$5.8 million and \$5.3 million, respectively. Amortization expense associated with intangible assets for the six month periods ended June 30, 2014 and 2013 totaled \$10.4 million and \$9.4 million, respectively.

Note 6 – Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts and notes receivable, cash collateral deposited with insurance carriers, life insurance assets, cost and equity method investments, deferred compensation plan assets and liabilities, accounts payable and other current liabilities, acquisition-related contingent consideration and debt obligations.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value guidance establishes a valuation hierarchy, which requires maximizing the use of observable inputs when measuring fair value. The three levels of inputs that may be used are:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or other observable inputs.

Level 3 - Significant unobservable inputs that cannot be corroborated by observable market data. These values are generally determined using valuation models incorporating management's estimates of market participant assumptions. Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of June 30, 2014, financial instruments required to be measured at fair value on a recurring basis consisted primarily of acquisition-related contingent consideration. The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the

fair value hierarchy, the fair value measurement classification below has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Management's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. Acquisition-related contingent consideration measured at fair value on a recurring basis represents the estimated fair value of additional future earn-outs payable for acquisitions of businesses that closed after January 1, 2009, in accordance with U.S. GAAP ("141R contingent

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consideration"). The fair value of the Company's 141R contingent consideration, which was determined using Level 3 inputs, totaled \$152.4 million and \$165.4 million, respectively, as of June 30, 2014 and December 31, 2013. The fair value of 141R contingent consideration is based on management's estimates and entity-specific assumptions and is evaluated on an on-going basis.

Additions to 141R contingent consideration from new acquisitions totaled \$24.9 million and \$33.6 million for the three and six month periods ended June 30, 2014, respectively, and totaled \$26.7 million for both the three and six month periods ended June 30, 2013. The Company paid approximately \$47.0 million in connection with 141R contingent consideration for both the three and six month periods ended June 30, 2014, and paid approximately \$2.0 million and \$2.7 million for the three and six month periods ended June 30, 2013, respectively. Foreign currency translation losses associated with 141R contingent consideration included in other comprehensive income totaled \$1.7 million and \$0.4 million for the three and six month periods ended June 30, 2014, respectively. Foreign currency translation gains associated with 141R contingent consideration included in other comprehensive income totaled \$1.4 million and \$1.8 million for the three and six month periods ended June 30, 2013, respectively.

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets and liabilities recognized or disclosed at fair value on a non-recurring basis, which are initially measured at fair value, and are subsequently remeasured in the event of an impairment or other measurement event, if applicable, include items such as cost and equity method investments, goodwill, other intangible assets, long-lived assets and debt.

Carrying amounts and estimated fair values of selected financial instruments measured on a non-recurring basis as of the dates indicated were as follows (in millions):

	June 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
4.875% Senior Notes	\$400.0	\$390.0	\$400.0	\$380.0
2009 Convertible Notes	\$3.0	\$6.0	\$12.6	\$26.6
2011 Convertible Notes	\$95.7	\$193.9	\$198.3	\$428.3

The estimated fair values of the Company's 4.875% Senior Notes, 2009 Convertible Notes and 2011 Convertible Notes are based on quoted market prices, a Level 1 input. The Company's 4.0% Convertible Notes, composed of \$105.3 million of 2011 4.0% Notes and \$9.6 million of 2009 4.0% Notes, matured and were converted in June 2014. See Note 9 - Debt.

The Company accounts for certain investments using the cost or equity method of accounting. These investments had aggregate values of \$19.3 million and \$15.8 million as of June 30, 2014 and December 31, 2013, respectively. The fair value of the Company's cost and equity method investments is not readily available nor has the Company estimated the fair value of these investments. The Company is not aware of any identified events or changes in circumstance that would have a significant adverse effect on the carrying value of any of its cost or equity method investments as of June 30, 2014 and December 31, 2013.

Note 7 - Accounts Receivable, Net of Allowance

The following table provides details of accounts receivable, net of allowance, as of the dates indicated (in millions):

	June 30, 2014	December 31, 2013
Contract billings	\$702.9	\$606.5
Retainage	140.8	159.3
Costs and earnings in excess of billings	463.2	384.6
Accounts receivable, gross	\$1,306.9	\$1,150.4
Less allowance for doubtful accounts	(18.2)	(15.7)
Accounts receivable, net	\$1,288.7	\$1,134.7

Provisions for doubtful accounts were \$0.8 million and \$2.5 million, respectively, for the six month periods ended June 30, 2014 and 2013.

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Note 8 - Property and Equipment, Net

The following table provides details of property and equipment, net, including property and equipment held under capital leases as of the dates indicated (in millions):

	June 30, 2014	December 31, 2013
Land	\$4.6	\$4.8
Buildings and leasehold improvements	19.0	18.0
Machinery and equipment	879.4	727.1
Office furniture and equipment	114.4	102.5
Construction in progress	18.3	11.0
Total property and equipment	\$1,035.7	\$863.4
Less accumulated depreciation and amortization	(417.0	) (375.3
Property and equipment, net	\$618.7	\$488.1

Depreciation and amortization expense associated with property and equipment for the three month periods ended June 30, 2014 and 2013 totaled \$30.9 million and \$28.3 million, respectively. Depreciation and amortization expense associated with property and equipment for the six month periods ended June 30, 2014 and 2013 totaled \$59.8 million and \$55.9 million, respectively.

Note 9 - Debt

The following table provides details of the carrying values of debt as of the dates indicated (in millions):

Description	Maturity Date	June 30, 2014	December 31, 2013
Senior secured credit facility	October 29, 2018	\$398.4	\$53.0
4.875% senior notes	March 15, 2023	400.0	400.0
2011 4.0% senior convertible notes	June 15, 2014	—	103.8
2011 4.25% senior convertible notes	December 15, 2014	95.7	94.5
2009 4.0% senior convertible notes	June 15, 2014	—	9.6
2009 4.25% senior convertible notes	December 15, 2014	3.0	3.0
Other credit facilities	Varies	46.8	—
Capital lease obligations, weighted average interest rate of 2.9%	In installments through June 13, 2021	169.2	126.0
Notes payable, equipment, weighted average interest rate of 3.2%	In installments through May 1, 2018	52.5	26.9
Total debt		\$1,165.6	\$816.8
Less current maturities		(76.9	) (51.4
Long-term debt		\$1,088.7	\$765.4

Senior Secured Credit Facility

On June 25, 2014, the Company amended its senior secured credit facility, referred to as the Credit Facility, to increase aggregate borrowing commitments from \$750 million to \$1 billion, add the capability to borrow in Mexican pesos in addition to Canadian dollars, and increase the maximum amount that can be borrowed in alternate currencies to \$200 million from \$100 million. The amended Credit Facility, which matures on October 29, 2018, retains its accordion feature that permits the Company to increase revolving commitments and/or establish additional term loan tranches in an aggregate amount of up to \$250 million. As of June 30, 2014 and December 31, 2013, the Company had outstanding revolving loans under the Credit Facility of \$398.4 million and \$53.0 million, respectively, which accrued interest at a weighted average rate of approximately 2.64% and 2.14% per annum, respectively. Letters of credit of approximately \$132.8 million and \$134.8 million were issued as of June 30, 2014 and December 31, 2013, respectively. The remaining borrowing capacity of \$469.2 million and \$562.1 million as of June 30, 2014 and December 31, 2013, respectively, was available for revolving loans, or up to \$317.2 million and \$315.2 million, respectively, of new letters of credit. Outstanding letters of credit mature at various dates and most have automatic renewal provisions, subject to prior notice of cancellation. As of June 30, 2014, interest on issued letters of credit

accrued at 0.875% per annum for performance standby letters of credit and at 1.75% per annum for financial standby letters of credit. As of December 31, 2013, interest on issued letters of credit accrued at 0.75% per annum for performance standby letters of credit and at 1.5% per annum for financial standby letters of credit. The unused facility fee was 0.35% and 0.30% as of June 30, 2014 and December 31, 2013, respectively. The Credit Facility is guaranteed by certain subsidiaries of the Company.

For additional information regarding the Credit Facility, see Note 9 - Debt in the notes to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013 and the Company's Current Report on Form 8-K filed with the SEC on June 30, 2014.

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Other Credit Facilities. During 2014, the Company entered into or assumed other credit facility arrangements to support the short-term working capital requirements of its foreign operations. As of June 30, 2014, the Company had maximum borrowing capacity totaling \$70.3 million under these credit facilities, of which \$11.2 million was available for letters of credit. Outstanding borrowings and issued letters of credit totaled \$46.8 million and \$10.5 million, respectively, as of June 30, 2014, and accrued interest at weighted average rates of 3.75% and 1.80%, respectively. The Company's other credit facilities, which have varying dates of maturity through March 3, 2015, are generally renewed on an annual basis. Outstanding borrowings under other credit facilities that are not renewed are repaid with borrowings under the Credit Facility. Accordingly, the carrying amounts of other credit facility borrowings are classified within long-term debt in the Company's condensed unaudited consolidated balance sheets as of June 30, 2014. The Company's other credit facilities are subject to customary provisions and covenants, and the Company was in compliance with all such provisions and covenants as of June 30, 2014.

Senior Convertible Notes

The 4.0% Convertible Notes, composed of \$105.3 million principal amount of 2011 4.0% Notes and \$9.6 million principal amount of 2009 4.0% Notes, matured and were converted in June 2014. The 2009 4.0% Notes were convertible at a rate of 63.4417 shares of MasTec common stock per \$1,000 principal amount thereof, representing an initial conversion price of approximately \$15.76 per share, which resulted in MasTec issuing an aggregate of 0.6 million shares of its common stock at maturity. The 2011 4.0% Notes were substantially identical to the 2009 4.0% Notes, except that the 2011 4.0% Notes had an optional physical (share), cash or combination settlement feature. In accordance with the Company's previously stated intent, it settled the principal amount of the 2011 4.0% Notes in cash, and the premium value in shares of common stock. Pursuant to the formula contained in the indenture governing the 2011 4.0% Notes, the Company issued 3.6 million shares of common stock to settle the premium value of such notes. The value of shares issued to settle the premium was \$114.8 million, which was based on the closing price of the Company's common stock on the date the shares were issued. The 4.2 million aggregate shares issued in settlement of the 4.0% Convertible Notes were issued from the Company's treasury stock. See Note 13 - Equity. Unamortized debt discount and financing costs associated with the 2011 4.25% Notes totaled \$1.3 million as of June 30, 2014. Unamortized debt discount and financing costs associated with both the 2011 4.25% Notes and the 2011 4.0% Notes totaled \$4.0 million as of December 31, 2013. The 4.0% Convertible Notes matured in June 2014 and the 4.25% Convertible Notes mature in December 2014. The Company settled the principal amount of the 2011 4.0% Notes with proceeds from the Credit Facility and the premium value in shares of common stock. The Company expects to settle the principal amount of its 2011 4.25% Notes on a long-term basis with proceeds from the Credit Facility, or through other sources of available funding, and the premium value in shares, and, therefore, has reflected the carrying amounts of these notes within long-term debt in the Company's condensed unaudited consolidated balance sheets.

For additional information regarding the Company's senior convertible notes, see Note 9 - Debt in the notes to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013.

Debt Guarantees and Covenants

The Company's 4.875% Senior Notes, 2011 Convertible Notes and 2009 Convertible Notes are fully and unconditionally guaranteed on an unsecured, unsubordinated, joint and several basis by certain of the Company's existing and future 100%-owned direct and indirect domestic subsidiaries that are guarantors of the Credit Facility or other outstanding indebtedness. See Note 18 - Supplemental Guarantor Condensed Unaudited Consolidating Financial Information.

MasTec was in compliance with all provisions and covenants pertaining to its outstanding debt instruments as of June 30, 2014 and December 31, 2013.

Interest Expense, Net

The following table provides details of interest expense, net, for the periods indicated (in millions):

		For the Three Months Ended	For the Six Months Ended	
		June 30,	June 30,	
		2014	2014	2013

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Interest expense:

Contractual and other interest expense	\$10.6	\$9.6	\$20.4	\$17.5	
Accretion of senior convertible note discount	1.4	1.3	2.8	2.6	
Amortization of deferred financing costs	0.9	1.0	1.9	2.0	
Total interest expense	\$12.9	\$11.9	\$25.1	\$22.1	
Interest income	(0.0) (0.1) (0.1) (0.2)
Interest expense, net	\$12.9	\$11.8	\$25.0	\$21.9	

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Note 10 - Lease Obligations

Capital Leases

MasTec enters into agreements that provide financing for machinery and equipment, which expire on various dates. The gross amount of assets held under capital leases as of June 30, 2014 and December 31, 2013 totaled \$267.2 million and \$199.6 million, respectively. Assets held under capital leases, net of accumulated depreciation, totaled \$200.6 million and \$141.3 million as of June 30, 2014 and December 31, 2013, respectively.

Operating Leases

In the ordinary course of business, the Company enters into non-cancelable operating leases for certain of its facility, vehicle and equipment needs, including related party leases. Rent expense relating to operating leases that have non-cancelable terms in excess of one year was approximately \$17.3 million and \$12.6 million for the three month periods ended June 30, 2014 and 2013, respectively, and \$33.3 million and \$24.5 million for the six month periods ended June 30, 2014 and 2013, respectively. The Company also incurred expenses relating to facilities, vehicles and equipment having original terms of one year or less of approximately \$40.4 million and \$39.0 million for the three month periods ended June 30, 2014 and 2013, respectively, and \$88.2 million and \$75.9 million for the six month periods ended June 30, 2014 and 2013, respectively.

Note 11 – Stock-Based Compensation and Other Employee Benefit Plans

The Company has certain stock-based compensation plans, under which stock options and restricted share awards are available for issuance or outstanding. Under stock-based compensation plans in effect as of June 30, 2014, there were a total of 6,226,093 shares available for grant or issuance.

Restricted Share Awards

MasTec grants restricted share awards, which are valued based on the market price of MasTec common stock on the date of grant. Total unearned compensation related to restricted share awards as of June 30, 2014 was approximately \$19.9 million, which is expected to be recognized over a weighted average period of approximately 1.3 years. The total intrinsic value, or fair value, of restricted share awards that vested, which is based on the market price on the date of vesting, was \$0.2 million and \$0.4 million for the three month periods ended June 30, 2014 and 2013, respectively, and \$6.0 million and \$1.1 million for the six month periods ended June 30, 2014 and 2013, respectively.

Activity, restricted share awards:	Restricted Shares	Weighted Average Grant Date Fair Value
Non-vested restricted shares, as of December 31, 2013	1,123,545	\$23.78
Granted	315,614	41.36
Vested	(145,560)	) 19.82
Canceled/forfeited	(13,450)	) 16.05
Non-vested restricted shares, as of June 30, 2014	1,280,149	\$28.64

Stock Options

The Company has granted options to purchase its common stock to employees and members of the Board of Directors and affiliates under various stock option plans at not less than the fair market value of the underlying stock on the date of grant. All outstanding stock options are fully vested.

Activity, stock options:	Stock Options	Per Share Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value ^(a) (in millions)
Options outstanding as of December 31, 2013	495,571	\$ 11.17	1.96	\$10.7
Exercised	(210,900)	) 9.97		
Canceled/forfeited	—	—		
Options outstanding as of June 30, 2014	284,671	\$ 12.06	1.79	\$5.3
Options exercisable as of June 30, 2014	284,671	\$ 12.06	1.79	\$5.3

- (a) Amount represents the difference between the exercise price and the market price of the Company's stock on the last trading day of the corresponding period, multiplied by the number of in-the-money options. The total intrinsic value of options exercised during the three month periods ended June 30, 2014 and 2013, which is based on the difference between the exercise price and the market price of the Company's stock at the date of exercise, was \$0.2 million and \$2.2 million, respectively. The total intrinsic value of options exercised during the six month periods ended June 30, 2014 and 2013 was \$6.5 million and \$5.7 million, respectively.

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Proceeds from options exercised during the three month periods ended June 30, 2014 and 2013 totaled \$0.1 million and \$1.5 million, respectively, and totaled \$0.8 million and \$3.4 million for the six month periods ended June 30, 2014 and 2013, respectively.

Employee Stock Purchase Plans

The Company's employee stock purchase plans allow qualified employees to purchase MasTec, Inc. common stock at 85% of the fair market value of the common stock at the lower of (i) the date of commencement of the offering period or (ii) the last day of the exercise period, as defined in the plan documents. The fair value of purchases under the Company's employee stock purchase plans is estimated using the Black-Scholes option-pricing valuation model.

Activity, employee stock purchase plan:	Six Months Ended June 30,	
	2014	2013
Cash proceeds (in millions)	\$1.7	\$5.5
Common shares issued	62,102	416,397
Weighted average price per share	\$26.90	\$13.10
Weighted average grant date fair value per share	\$6.39	\$5.49

Stock-Based Compensation Expense and Tax Benefits

Details of stock-based compensation expense, which is included within general and administrative expense in the condensed unaudited consolidated statement of operations, and related tax benefits for the periods indicated are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Stock-based compensation expense	\$4.2	\$4.3	\$7.5	\$6.6
Income Tax Effects:				
Income tax benefit from stock-based compensation	\$1.8	\$1.8	\$6.6	\$3.3
Excess tax benefit from stock-based compensation (a)	\$0.1	\$0.8	\$3.4	\$1.5

Excess tax benefits, which represent cash flows from tax deductions in excess of the recorded tax effect of (a) compensation expense recognized for stock options exercised and vested restricted shares, are classified as financing cash flows in the Company's condensed unaudited consolidated statements of cash flows.

Note 12 – Other Retirement Plans

Multi-Employer Plans. Certain of MasTec's subsidiaries contribute amounts to multi-employer pension and other multi-employer benefit plans and trusts. Contributions are generally based on fixed amounts per hour per employee for employees covered under these plans. Multi-employer plan contribution rates are determined annually and assessed on a "pay-as-you-go" basis based on union employee payrolls. Union payrolls cannot be determined for future periods because the number of union employees employed at any given time, and the plans in which they may participate, vary depending upon the location and number of ongoing projects at a given time and the need for union resources in connection with those projects. Total contributions to multi-employer plans, and the related number of employees covered by these plans, for the periods indicated ranged as follows:

	Multi-Employer Plans				
	Covered Employees		Contributions (in millions)		
For the Three Months Ended June 30:	Low	High	Pension	Post-Retirement Benefit	Total
2014	1,308	2,167	\$8.0	\$ 0.8	\$8.8
2013	1,149	2,392	\$7.2	\$ 1.1	\$8.3
For the Six Months Ended June 30:	Low	High	Pension	Post-Retirement Benefit	Total
2014	1,098	2,167	\$15.8	\$ 1.3	\$17.1
2013	778	2,392	\$15.3	\$ 2.0	\$17.3

Note 13 – Equity

Share Activity (in thousands):	Common Shares Outstanding	Treasury Shares
Balance as of December 31, 2013	77,258	9,467
Shares issued:		
Stock option exercises	211	
Restricted share awards	146	
Convertible notes, treasury stock reissuances	4,204	(4,204)
Other shares issued, net of shares withheld for taxes	(46)	
Balance as of June 30, 2014	81,773	5,263

During the quarter ended June 30, 2014, the Company reissued a total of 4.2 million shares of its treasury stock, which had a cost basis of \$66.6 million, related to the settlement of its 4.0% Convertible Notes. See Note 9 - Debt.

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss by component during the periods indicated are as follows (in thousands):

	For the Six Months Ended June 30,					
	2014			2013		
	Unrealized (Losses) Gains					
	Foreign Currency	Other	Total	Foreign Currency	Other	Total
Balance as of January 1	\$(7,998)	\$(5,288)	\$(13,286)	\$(105)	\$(5,396)	\$(5,501)
Activity before reclassifications, net of tax	2,343	—	2,343	(6,775)	(26)	(6,801)
Reclassifications, net of tax	—	—	—	—	(440)	(440)
Activity, net of tax	2,343	—	2,343	(6,775)	(466)	(7,241)
Balance as of June 30	\$(5,655)	\$(5,288)	\$(10,943)	\$(6,880)	\$(5,862)	\$(12,742)

Foreign currency activity is primarily related to the Company's Canadian operations. The Company's Canadian presence has grown in recent years due to acquisitions. See Note 3 - Acquisitions.

Note 14 - Income Taxes

The Company's consolidated tax rates on income from continuing operations for the three month periods ended June 30, 2014 and 2013 were 38.1% and 38.0%, respectively, and for the six month periods ended June 30, 2014 and 2013 were 38.0% and 38.4%, respectively. In determining the quarterly provision for income taxes, management uses an estimated annual effective tax rate based on forecasted annual pre-tax income, permanent tax differences, statutory tax rates and tax planning opportunities in the various jurisdictions in which the Company operates. The impact of significant discrete items is separately recognized in the quarter(s) in which they occur.

As of June 30, 2014, the Company had \$6.6 million of current deferred tax assets, net, and \$186.5 million of long-term deferred tax liabilities, net. As of December 31, 2013, current deferred tax assets, net, totaled \$16.3 million and long-term deferred tax liabilities, net, totaled \$154.8 million.

Note 15 - Segments and Related Information

Segment Discussion

MasTec presents its continuing operations in five reportable segments: (1) Communications; (2) Oil and Gas; (3) Electrical Transmission; (4) Power Generation and Industrial and (5) Other. This structure is generally focused on broad end-user markets for MasTec's labor-based construction services. All five reportable segments derive their revenues from the engineering, installation and maintenance of infrastructure, primarily in North America.

The Communications segment performs engineering, construction and maintenance of communications infrastructure primarily related to wireless and wireline/fiber communications and install-to-the-home, and to a lesser extent, infrastructure for electrical utilities. MasTec performs engineering, construction and maintenance services on oil and natural gas pipelines and processing facilities for the energy and utilities industries through its Oil and Gas segment.

The Electrical Transmission segment primarily serves the energy and utility industries through the engineering,

construction and maintenance of electrical transmission lines and substations. The Power Generation and Industrial segment primarily serves the

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energy and utility end markets and other end markets through the installation and construction of renewable power facilities, related electrical transmission infrastructure, ethanol facilities and various types of industrial infrastructure. The Other segment primarily includes small business units that perform construction services for a variety of end markets in Mexico and elsewhere internationally.

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) is the measure of profitability used by management to manage its segments and, accordingly, in its segment reporting. As appropriate, the Company supplements the reporting of consolidated financial information determined in accordance with U.S. GAAP with certain non-U.S. GAAP financial measures, including EBITDA. The Company believes these non-U.S. GAAP measures provide meaningful information that helps investors understand the Company's financial results and assess its prospects for future performance. The Company uses EBITDA to evaluate its performance, both internally and versus that of its peers, because it excludes certain items that may not be indicative of the Company's reportable segment results, as well as items that can vary widely across different industries or among companies within the same industry. Segment EBITDA is calculated in a manner consistent with consolidated EBITDA.

Summarized financial information for MasTec's reportable segments is presented and reconciled to consolidated continuing operations financial information for total MasTec in the following tables (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Revenue:	2014	2013	2014	2013
Communications	\$528.1	\$496.6	\$975.2	\$921.6
Oil and Gas	365.7	296.9	745.5	615.7
Electrical Transmission	114.5	118.6	194.6	203.1
Power Generation and Industrial	94.5	63.3	148.8	152.2
Other	2.7	3.4	5.4	5.7
Eliminations	(0.9	) (1.2	) (0.9	) (2.0
Consolidated revenue	\$1,104.6	\$977.6	\$2,068.6	\$1,896.3

Revenue generated by utilities customers represented 6.3% and 6.5% of Communications segment revenue for the three month periods ended June 30, 2014 and 2013, respectively, and 6.6% and 7.3% of Communications segment revenue for the six month periods ended June 30, 2014 and 2013, respectively.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
EBITDA:	2014	2013	2014	2013
Communications	\$57.9	\$63.4	\$101.4	\$109.8
Oil and Gas	35.7	51.2	70.6	93.6
Electrical Transmission	17.0	11.5	20.5	14.9
Power Generation and Industrial	4.0	(8.0	) 4.5	(8.2
Other	0.3	0.4	0.5	0.4
Corporate	(13.4	) (15.8	) (24.4	) (34.3
Consolidated EBITDA	\$101.5	\$102.7	\$173.1	\$176.2

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Depreciation and Amortization:	2014	2013	2014	2013
Communications	\$10.0	\$9.1	\$19.9	\$17.4
Oil and Gas	19.9	19.0	38.0	37.7
Electrical Transmission	3.9	2.8	6.7	5.2
Power Generation and Industrial	1.6	1.7	3.1	3.4

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Corporate	1.4	1.0	2.5	1.7
Consolidated Depreciation and Amortization	\$36.8	\$33.6	\$70.2	\$65.4

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The following table presents a reconciliation of EBITDA to consolidated income from continuing operations before income taxes (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
EBITDA Reconciliation:				
EBITDA	\$101.5	\$102.7	\$173.1	\$176.2
Less:				
Interest expense, net	(12.9	) (11.8	) (25.0	) (21.9
Depreciation and amortization	(36.8	) (33.6	) (70.2	) (65.4
Income from continuing operations before income taxes	\$51.8	\$57.3	\$77.9	\$89.0

Foreign Operations. MasTec operates throughout North America, primarily in the U.S. and Canada, as well as in parts of Latin America. For the three month periods ended June 30, 2014 and 2013, revenues of \$990.0 million and \$936.2 million, respectively, were derived from U.S. operations, and \$114.6 million and \$41.4 million, respectively, were derived from foreign operations, primarily in Canada. For both the six month periods ended June 30, 2014 and 2013, revenues of \$1.8 billion were derived from U.S. operations, and \$240.6 million and \$81.2 million, respectively, were derived from foreign operations, primarily in Canada. Long-lived assets held in the U.S. included property and equipment, net, of \$495.0 million and \$436.9 million as of June 30, 2014 and December 31, 2013, respectively. Long-lived assets held in foreign countries, primarily in Canada, included property and equipment, net, of \$123.7 million and \$51.2 million as of June 30, 2014 and December 31, 2013, respectively. Intangible assets and goodwill, net, of \$1.0 billion as of both June 30, 2014 and December 31, 2013, related to businesses in the U.S. Intangible assets and goodwill, net, of \$204.5 million and \$92.9 million as of June 30, 2014 and December 31, 2013, respectively, related to businesses in foreign countries, primarily in Canada.

Significant Customers

Revenue concentration information for significant customers as a percentage of total consolidated revenue was as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Customer:				
AT&T	25%	21%	24%	20%
DIRECTV®	12%	15%	13%	15%
Enbridge, Inc.	8%	9%	11%	10%

The Company's relationship with AT&T is based upon master service agreements, other service agreements and construction/installation contracts for AT&T's wireless, wireline/fiber and home security and automation businesses. Revenue from AT&T is included in the Communications segment. The Company's relationship with DIRECTV® is based upon an agreement to provide installation and maintenance services for DIRECTV®. Revenue from DIRECTV® is included in the Communications segment. The Company's relationship with Enbridge, Inc. is based upon various construction contracts for natural gas pipelines. Revenue from Enbridge, Inc. is included in the Oil and Gas segment.

Note 16 - Commitments and Contingencies

In addition to the matters discussed below, MasTec is subject to a variety of legal cases, claims and other disputes that arise from time to time in the ordinary course of its business. MasTec cannot provide assurance that it will be successful in recovering all or any of the potential damages it has claimed or in defending claims against it. The outcome of such cases, claims and disputes, including the one set forth below, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and the trading price of its common stock.

SunLight Entities. In 2011, Power Partners MasTec, LLC., a MasTec, Inc. subsidiary (“Power Partners”), entered into engineering, procurement, and construction agreements with special purpose entities, SunLight General Somerset Solar, LLC, SunLight General Morris Solar, LLC and SunLight General Sussex Solar, LLC (collectively, the “SunLight Entities”), respectively, to perform design and construction services for three public solar projects in New Jersey located in Somerset, Morris and Sussex Counties (the “Projects”). The initial contract price of each of the Projects was, subject to adjustment, approximately as follows: Somerset (\$29 million); Morris (\$36 million); and Sussex (\$26 million). The Projects were funded on a project finance basis, including the proceeds of municipal bonds issued by the Morris County and Somerset Improvement Authorities (collectively, the “Authorities”).

Power Partners and the SunLight Entities commenced three separate arbitration proceedings against each other to address various disputes that presently exist between the parties on the three Projects. The parties allege, among other things, breach of contract against each other. The arbitrations began in January 2014 and an award is anticipated in the third quarter of 2014. Power Partners believes it has presented meritorious support of its claims against Sunlight and, additionally, believes that it has meritorious defenses against Sunlight’s claims. Power Partners is vigorously pursuing its claims against Sunlight and vigorously defending against Sunlight’s claims.

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Power Partners filed municipal liens and construction liens of approximately \$50 million for the work performed but the liens were challenged by the SunLight Entities and the Authorities. In March 2014, the New Jersey appellate court found that Power Partners did not have municipal or construction liens on the proceeds of the municipal bonds, and the New Jersey Supreme Court denied Power Partner's emergency motion to stay the adverse ruling. The Company petitioned the New Jersey Supreme Court to review the New Jersey appellate court's adverse ruling, and, in July 2014, the New Jersey Supreme Court agreed to review the appellate court's ruling. The timing of the hearing is unknown.

Power Partners also filed a federal lawsuit in the United States District Court of New Jersey against the Authorities and the principals of the SunLight Entities in June 2013. The claims against the Authorities include violations of the New Jersey Public Works Bond Act and the New Jersey Construction Trust Fund Act, tortious interference and unjust enrichment and quantum meruit. The Authorities and the SunLight principals have filed motions to dismiss. Power Partners has filed a response to the motions to dismiss. The litigation is in the early stages.

Other Commitments and Contingencies

Leases. In the ordinary course of business, the Company enters into non-cancelable operating leases for certain of its facility, vehicle and equipment needs, including related party leases. See Note 10 - Lease Obligations.

Letters of Credit. In the ordinary course of business, the Company is required to post letters of credit for its insurance carriers, surety bond providers and in support of performance under certain contracts. Such letters of credit are generally issued by a bank or similar financial institution. The letter of credit commits the issuer to pay specified amounts to the holder of the letter of credit under certain conditions. If this were to occur, the Company would be required to reimburse the issuer of the letter of credit, which, depending upon the circumstances, could result in a charge to earnings. As of June 30, 2014 and December 31, 2013, there were \$132.8 million and \$134.8 million, respectively, of letters of credit issued under the Company's Credit Facility. In addition, there were \$10.5 million of letters of credit issued under other credit facilities as of June 30, 2014. See Note 9 - Debt. The Company was not aware of any material claims relating to outstanding letters of credit as of June 30, 2014 or December 31, 2013.

Performance and Payment Bonds. In the ordinary course of business, MasTec is required by certain customers to provide performance and payment bonds for some of the Company's contractual commitments related to projects in process. These bonds provide a guarantee to the customer that the Company will perform under the terms of a contract and that the Company will pay subcontractors and vendors. If the Company fails to perform under a contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. The Company must reimburse the surety for any expenses or outlays it incurs. As of June 30, 2014, the estimated cost to complete projects secured by the Company's \$0.5 billion in performance and payment bonds was \$177.7 million. As of December 31, 2013, the estimated cost to complete projects secured by the Company's \$1.1 billion in performance and payment bonds was \$297.1 million.

Investments in Affiliates and Other Entities. The Company holds an undivided interest in a contractual joint venture with a third party for the purpose of providing infrastructure services under certain customer contracts. Losses incurred by the joint venture are generally shared equally by the joint venture members, with members of the joint venture jointly and severally liable for all of the obligations of the joint venture. The joint venture agreement provides that each joint venturer indemnify the other parties for any liabilities incurred. Thus, it is possible that the Company could be required to pay or perform obligations in excess of its share if the other joint venturer fails or refuses to pay or perform its share of the obligations. As of June 30, 2014, the Company was not aware of any circumstances that would lead to future claims against it for material amounts. As of June 30, 2014, the Company has outstanding commitments associated with its investments in unconsolidated affiliates of approximately \$3 million, which are expected to be paid in the third quarter of 2014.

Self-Insurance. MasTec maintains insurance policies for workers' compensation, general liability and automobile liability, which are subject to per claim deductibles. The Company also maintains excess umbrella coverage. As of June 30, 2014 and December 31, 2013, MasTec's liability for unpaid claims and associated expenses, including incurred but not reported losses related to its workers compensation, general liability and automobile liability

insurance policies, totaled \$55.0 million and \$50.8 million, respectively, of which \$34.1 million and \$31.3 million, respectively, was reflected within non-current other liabilities in the condensed unaudited consolidated balance sheets. MasTec also maintains an insurance policy with respect to employee group medical claims, which is subject to annual per employee maximum losses. MasTec's liability for employee group medical claims as of June 30, 2014 and December 31, 2013 totaled \$2.0 million and \$2.1 million, respectively.

The Company is required to post letters of credit and provide cash collateral to certain of its insurance carriers and to provide surety bonds in certain states. These letters of credit amounted to \$57.4 million as of both June 30, 2014 and December 31, 2013, respectively. In addition, cash collateral deposited with insurance carriers, which is included in other long-term assets in the condensed unaudited consolidated balance sheets, amounted to \$1.3 million and \$1.4 million as of June 30, 2014 and December 31, 2013, respectively. Outstanding surety bonds related to workers' compensation self-insurance programs amounted to \$10.9 million as of both June 30, 2014 and December 31, 2013.

Employment Agreements. The Company has employment agreements with certain executives and other employees, which provide for compensation and certain other benefits and for severance payments under certain circumstances. Certain employment agreements also contain clauses that become effective upon a change of control of the Company. Upon the occurrence of any of the defined events in the various employment agreements, the Company would be obligated to pay certain amounts to the relevant employees, which vary with the level of the employees' respective responsibility.

Collective Bargaining Agreements and Multi-Employer Plans. Certain of MasTec's subsidiaries are party to various collective bargaining agreements with unions representing certain of their employees. The agreements require the subsidiaries party to the agreements to pay specified wages, provide certain benefits to their union employees and contribute certain amounts to multi-employer pension plans and employee

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benefit trusts. The collective bargaining agreements expire at various times and have typically been renegotiated and renewed on terms similar to the ones contained in the expiring agreements.

The Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Pension Plan Amendments Act of 1980 (collectively, “ERISA”), which governs U.S. registered multi-employer pension plans, subjects employers to substantial liabilities in the event of the employer’s complete or partial withdrawal from, or upon termination of, such plans. Under current law regarding employers who are contributors to U.S. registered multi-employer defined benefit plans, a plan’s termination, an employer’s voluntary withdrawal from, or the mass withdrawal of all contributing employers from, an underfunded multi-employer defined benefit plan requires participating employers to make payments to the plan for their proportionate share of the multi-employer plan’s unfunded vested liabilities. Furthermore, the Pension Protection Act of 2006 added new funding rules to U.S. registered plans that are generally applicable to plan years beginning after 2007 for multi-employer plans that are classified as “endangered,” “seriously endangered,” or “critical” status. If plans in which the Company’s subsidiaries participate are in critical status, benefit reductions may apply and/or the Company could be required to make additional contributions. Based upon the information available to the Company from plan administrators as of June 30, 2014, several of the multi-employer pension plans in which it participates are underfunded and, as a result, the Company could be required to increase its contributions.

On November 15, 2011, the Company, along with other members of the Pipe Line Contractors Association (“PLCA”), voluntarily withdrew from the Central States Southeast and Southwest Areas Pension Fund (“Central States”), a defined benefit multi-employer pension plan that is in critical status. In connection with this withdrawal, a \$6.4 million withdrawal liability was established based on an estimate provided by the Central States administrator of such liability as of the date of withdrawal. The Company began paying installments towards this withdrawal liability in 2013, of which \$4.8 million was outstanding as of June 30, 2014. The Company withdrew from Central States in order to mitigate its liability in connection with the plan; however, Central States has asserted that the PLCA members did not effectively withdraw in 2011 and are, therefore, responsible for a withdrawal liability that includes 2011 contribution amounts. By letter dated March 14, 2013, Central States demanded \$11 million in withdrawal liability from the Company, which included 2011 contribution amounts. The Company is vigorously opposing this demand because it believes that it legally and effectively withdrew from Central States on November 15, 2011. If Central States were to prevail in its assertion that the Company withdrew after that date, then the initial amount of the Company’s withdrawal liability would increase to approximately \$11 million. In addition, if Central States were to undergo a mass withdrawal, as defined by ERISA and the Pension Benefit Guaranty Corporation, there could be additional liability.

The Company currently does not have plans to withdraw from any other multi-employer pension plan.

Indemnities. The Company generally indemnifies its customers for the services it provides under its contracts, as well as other specified liabilities, which may subject the Company to indemnity claims, liabilities and related litigation. As of June 30, 2014 and December 31, 2013, the Company was not aware of any material asserted or unasserted claims in connection with these indemnity obligations.

Other Guarantees. In the ordinary course of its business, from time to time, MasTec guarantees the obligations of its subsidiaries, including obligations under certain contracts with customers, certain lease obligations and in some states, obligations in connection with obtaining contractors’ licenses. The Company has also issued performance and other guarantees in connection with its undivided interest in a contractual joint venture and certain of its equity investees. See Note 3 - Acquisitions. MasTec also generally warrants the work it performs for a one to two year period following substantial completion of a project. MasTec has not historically accrued any reserves for potential warranty claims as they have been immaterial.

Concentrations of Risk. The Company had approximately 410 customers for the six month period ended June 30, 2014. For both the three month periods ended June 30, 2014 and 2013, the Company derived 70% of revenues from its top ten customers. For the six month periods ended June 30, 2014 and 2013, the Company derived 69% and 68%, respectively, of revenues from its top ten customers. See Note 15 - Segments and Related Information for significant customer revenue concentration information.

Note 17 - Related Party Transactions

MasTec purchases, rents and leases equipment used in its business from a number of different vendors on a non-exclusive basis, including Cross Country Pipeline Supply, Inc. ("CCP"), in which MasTec invested \$15 million for a 14.85% ownership interest in the fourth quarter of 2013. Juan Carlos Mas, who is the brother of Jorge Mas, Chairman of MasTec's Board of Directors, and Jose Mas, MasTec's Chief Executive Officer, serves as the chairman of CCP. In addition, an entity owned by the Mas family, including Jorge and Jose Mas, is a minority shareholder of CCP. MasTec paid CCP approximately \$1.8 million and \$2.7 million for equipment rentals, leases and servicing for the three and six month periods ended June 30, 2014, respectively.

MasTec leases employees to a customer, in which Jorge Mas and Jose Mas own a minority interest. For both the three month periods ended June 30, 2014 and 2013, MasTec charged approximately \$0.2 million to this customer. For both the six month periods ended June 30, 2014 and 2013, MasTec charged approximately \$0.3 million to this customer. As of both June 30, 2014 and December 31, 2013, receivables of \$0.1 million attributable to this arrangement were outstanding. The Company also provides satellite communication services to this customer. For the three month periods ended June 30, 2014 and 2013, satellite communication revenues relating to this customer were approximately \$0.2 million and \$0.3 million, respectively. For the six month periods ended June 30, 2014 and 2013, satellite communication revenues relating to this customer were approximately \$0.5 million and \$0.6 million, respectively. As of June 30, 2014 and December 31, 2013, outstanding receivables from this arrangement totaled \$0.5 million and \$0.4 million, respectively.

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Split Dollar and Deferred Bonus Agreements

On August 11, 2014, Jose Mas, the Company and Jorge Mas, Juan Carlos Mas and Patricia Mas, as trustees of the Jose Ramon Mas Irrevocable Trust, dated December 7, 2012 (the “trust”) entered into a split dollar life insurance agreement that replaces the prior split dollar agreement and eliminates the deferred bonus agreement with Jose Mas. Under the new split dollar agreement, MasTec is the sole owner of each of the policies subject to the agreement. The Company will make the premium payments under each of such policies. Upon the death of Jose Mas or the survivor of Jose Mas and his wife (collectively, the “insureds”) under the applicable policy, MasTec is entitled to receive a portion of the death benefit under such policy equal to the greater of (i) all premiums paid by the Company on such policy and (ii) the then cash value of such policy (excluding surrender charges or other similar charges or reductions) immediately before the triggering death. The balance of the death benefit is payable to the trust or other beneficiary designated by the trustees. In the event of the Company’s bankruptcy or dissolution, the trust shall have the assignable option to purchase any or all of the policies subject to the split dollar agreement from the Company. The purchase price for each policy shall be the greater of (x) all premiums paid by the Company on such policy or (y) the then cash value of such policy (excluding surrender charges or other similar charges or reductions). The total maximum face amount of the insurance for all policies subject to the split dollar agreement was capped at \$75 million. The Company is designated as the named fiduciary under the split dollar agreement, and the policy may not be surrendered without the express written consent of the trust. The foregoing description of the split dollar agreement for Jose Mas is only a summary and is qualified in its entirety by reference to the full text of such agreement, which is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q.

For the three and six month periods ended June 30, 2014, the Company paid less than \$0.1 million in connection with the agreements for Jose Mas. For the three and six month periods ended June 30, 2013, no payments were made in connection with the agreements for Jose Mas. MasTec also has a split dollar agreement with Jorge Mas. The Company paid approximately \$0.5 million in connection with this agreement for both the three and six month periods ended June 30, 2014, and paid approximately \$0.1 million in connection with this agreement for both the three and six month periods ended June 30, 2013. As of June 30, 2014 and December 31, 2013, life insurance assets associated with these agreements of \$9.8 million and \$10.2 million, respectively, are included within other long-term assets in the condensed unaudited consolidated balance sheets. For additional information regarding the split dollar and deferred bonus agreements with Jorge Mas, see Note 17 - Related Party Transactions in the notes to the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2013. Note 18 – Supplemental Guarantor Condensed Unaudited Consolidating Financial Information

The 2011 Convertible Notes, 2009 Convertible Notes and 4.875% Senior Notes are fully and unconditionally guaranteed on an unsecured, unsubordinated, joint and several basis by certain of the Company's existing and future 100%-owned direct and indirect domestic subsidiaries that are each guarantors of the Company's Credit Facility or other outstanding indebtedness (the “Guarantor Subsidiaries”). Certain subsidiaries included in the Company's Guarantor Subsidiaries, which are minor individually and in the aggregate, do not guarantee the 4.875% Senior Notes. The Company's subsidiaries organized outside of the United States and certain domestic subsidiaries (collectively, the “Non-Guarantor Subsidiaries”) do not guarantee any of these notes. A Guarantor Subsidiary's guarantee is subject to release in certain customary circumstances, including upon the sale of a majority of the capital stock or substantially all of the assets of such Subsidiary Guarantor, if such Subsidiary Guarantor's guarantee under the Company's Credit Facility and other indebtedness is released or discharged (other than due to payment under such guarantee), or when the requirements for legal defeasance are satisfied or the obligations are discharged in accordance with the related indentures.

The following supplemental financial information sets forth the condensed unaudited consolidating balance sheets and the condensed unaudited consolidating statements of operations and comprehensive income and cash flows for the parent company (MasTec, Inc.), the Guarantor Subsidiaries on a combined basis, the Non-Guarantor Subsidiaries on a combined basis and the eliminations necessary to arrive at the information for the Company as reported on a consolidated basis. Eliminations represent adjustments to eliminate investments in subsidiaries and intercompany balances and transactions between or among MasTec, Inc., the Guarantor Subsidiaries and the Non-Guarantor

Subsidiaries. Investments in subsidiaries are accounted for using the equity method for this presentation.

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CONDENSED UNAUDITED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (in millions)

For the Three Months Ended June 30, 2014:	MasTec, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated MasTec, Inc.
Revenue	\$—	\$958.3	\$ 146.4	\$(0.1)	\$ 1,104.6
Costs of revenue, excluding depreciation and amortization	—	816.2	134.8	(0.1)	950.9
Depreciation and amortization	—	29.4	7.4	—	36.8
General and administrative expenses	0.7	48.0	5.5	—	54.2
Interest expense, net	—	12.3	0.6	—	12.9
Other income, net	—	(2.0)	—	—	(2.0)
(Loss) income from continuing operations before income taxes	\$(0.7)	\$54.4	\$ (1.9)	\$—	\$ 51.8
Benefit from (provision for) income taxes	0.3	(20.5)	0.5	—	(19.7)
Net (loss) income from continuing operations	\$(0.4)	\$33.9	\$ (1.4)	\$—	\$ 32.1
Net loss from discontinued operations	—	—	(0.1)	—	(0.1)
Equity in income from subsidiaries, net of tax	32.5	—	—	(32.5)	—
Net income (loss)	\$32.1	\$33.9	\$ (1.6)	\$(32.5)	\$ 31.9
Net loss attributable to non-controlling interests	—	—	(0.2)	—	(0.2)
Net income (loss) attributable to MasTec, Inc.	\$32.1	\$33.9	\$ (1.4)	\$(32.5)	\$ 32.1
Comprehensive income (loss)	\$39.7	\$33.9	\$ 6.1	\$(40.1)	\$ 39.6
For the Three Months Ended June 30, 2013:	MasTec, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated MasTec, Inc.
Revenue	\$—	\$897.0	\$ 82.9	\$(2.3)	\$ 977.6
Costs of revenue, excluding depreciation and amortization	—	757.1	67.9	(2.3)	822.7
Depreciation and amortization	—	28.4	5.2	—	33.6
General and administrative expenses	0.7	43.3	7.9	—	51.9
Interest expense, net	—	11.6	0.2	—	11.8
Other expense (income), net	—	0.6	(0.3)	—	0.3
(Loss) income from continuing operations before income taxes	\$(0.7)	\$56.0	\$ 2.0	\$—	\$ 57.3
Benefit from (provision for) income taxes	0.3	(21.5)	(0.6)	—	(21.8)
Net (loss) income from continuing operations	\$(0.4)	\$34.5	\$ 1.4	\$—	\$ 35.5
Net loss from discontinued operations	—	—	(0.5)	—	(0.5)
Equity in income from subsidiaries, net of tax	35.3	—	—	(35.3)	—
Net income (loss)	\$34.9	\$34.5	\$ 0.9	\$(35.3)	\$ 35.0
Net income attributable to non-controlling interests	—	—	0.1	—	0.1
Net income (loss) attributable to MasTec, Inc.	\$34.9	\$34.5	\$ 0.8	\$(35.3)	\$ 34.9
Comprehensive income (loss)	\$28.3	\$33.9	\$ (5.1)	\$(28.7)	\$ 28.4

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CONDENSED UNAUDITED CONSOLIDATING STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (in millions)

For the Six Months Ended June 30, 2014:	MasTec, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated MasTec, Inc.
Revenue	\$—	\$ 1,755.4	\$ 313.3	\$ (0.1)	\$ 2,068.6
Costs of revenue, excluding depreciation and amortization	—	1,509.4	282.6	(0.1)	1,791.9
Depreciation and amortization	—	57.4	12.8	—	70.2
General and administrative expenses	1.2	95.9	10.5	—	107.6
Interest expense, net	—	24.1	0.9	—	25.0
Other (income) expense, net	—	(4.1)	0.1	—	(4.0)
(Loss) income from continuing operations before income taxes	\$(1.2)	\$ 72.7	\$ 6.4	\$—	\$ 77.9
Benefit from (provision for) income taxes	0.5	(29.2)	(0.9)	—	(29.6)
Net (loss) income from continuing operations	\$(0.7)	\$ 43.5	\$ 5.5	\$—	\$ 48.3
Net loss from discontinued operations	—	—	(0.3)	—	(0.3)
Equity in income from subsidiaries, net of tax	48.8	—	—	(48.8)	—
Net income (loss)	\$ 48.1	\$ 43.5	\$ 5.2	\$ (48.8)	\$ 48.0
Net loss attributable to non-controlling interests	—	—	(0.1)	—	(0.1)
Net income (loss) attributable to MasTec, Inc.	\$ 48.1	\$ 43.5	\$ 5.3	\$ (48.8)	\$ 48.1
Comprehensive income (loss)	\$ 50.5	\$ 43.5	\$ 7.5	\$ (51.2)	\$ 50.3

For the Six Months Ended June 30, 2013:	MasTec, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated MasTec, Inc.
Revenue	\$—	\$ 1,740.2	\$ 160.1	\$ (4.0)	\$ 1,896.3
Costs of revenue, excluding depreciation and amortization	—	1,478.2	140.0	(4.0)	1,614.2
Depreciation and amortization	—	57.3	8.1	—	65.4
General and administrative expenses	1.0	88.4	11.4	—	100.8
Interest expense, net	—	21.6	0.3	—	21.9
Loss on extinguishment of debt	—	5.6	—	—	5.6
Other income, net	—	(0.2)	(0.4)	—	(0.6)
(Loss) income from continuing operations before income taxes	\$(1.0)	\$ 89.3	\$ 0.7	\$—	\$ 89.0
Benefit from (provision for) income taxes	0.4	(34.4)	(0.1)	—	(34.1)
Net (loss) income from continuing operations	\$(0.6)	\$ 54.9	\$ 0.6	\$—	\$ 54.9
Net loss from discontinued operations	—	—	(1.4)	—	(1.4)
Equity in income from subsidiaries, net of tax	53.9	—	—	(53.9)	—
Net income (loss)	\$ 53.3	\$ 54.9	\$ (0.8)	\$ (53.9)	\$ 53.4
Net income attributable to non-controlling interests	—	—	0.1	—	0.1
Net income (loss) attributable to MasTec, Inc.	\$ 53.3	\$ 54.9	\$ (0.9)	\$ (53.9)	\$ 53.3
Comprehensive income (loss)	\$ 46.1	\$ 54.4	\$ (7.6)	\$ (46.7)	\$ 46.2

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CONDENSED UNAUDITED CONSOLIDATING BALANCE SHEETS (in millions)

As of June 30, 2014:	MasTec, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated MasTec, Inc.
Assets					
Current assets, including discontinued operations	\$—	\$ 1,206.6	\$ 283.1	\$—	\$ 1,489.7
Property and equipment, net	—	472.1	146.6	—	618.7
Goodwill and other intangible assets, net	—	969.8	243.9	—	1,213.7
Investments in and advances to consolidated affiliates, net	1,077.3	—	148.4	(1,225.7)	—
Other long-term assets, including discontinued operations	9.3	38.6	25.9	—	73.8
Total assets	\$ 1,086.6	\$ 2,687.1	\$ 847.9	\$ (1,225.7)	\$ 3,395.9
Liabilities and Equity					
Total current liabilities	\$—	\$ 732.8	\$ 135.7	\$—	\$ 868.5
Long-term debt	—	1,005.9	82.8	—	1,088.7
Advances from consolidated affiliates, net	—	65.5	—	(65.5)	—
Other liabilities	—	191.0	156.4	—	347.4
Total liabilities	\$—	\$ 1,995.2	\$ 374.9	\$ (65.5)	\$ 2,304.6
Total equity	\$ 1,086.6	\$ 691.9	\$ 473.0	\$ (1,160.2)	\$ 1,091.3
Total liabilities and equity	\$ 1,086.6	\$ 2,687.1	\$ 847.9	\$ (1,225.7)	\$ 3,395.9
As of December 31, 2013:	MasTec, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated MasTec, Inc.
Assets					
Current assets, including discontinued operations	\$—	\$ 1,156.7	\$ 150.3	\$—	\$ 1,307.0
Property and equipment, net	—	420.2	67.9	—	488.1
Goodwill and other intangible assets, net	—	932.8	134.9	—	1,067.7
Investments in and advances to consolidated affiliates, net	1,006.8	171.2	—	(1,178.0)	—
Other long-term assets, including discontinued operations	9.3	36.2	14.9	—	60.4
Total assets	\$ 1,016.1	\$ 2,717.1	\$ 368.0	\$ (1,178.0)	\$ 2,923.2
Liabilities and Equity					
Total current liabilities	\$—	\$ 773.3	\$ 55.9	\$—	\$ 829.2
Long-term debt	—	760.9	4.5	—	765.4
Advances from consolidated affiliates, net	—	—	22.9	(22.9)	—
Other liabilities	—	236.4	71.1	—	307.5
Total liabilities	\$—	\$ 1,770.6	\$ 154.4	\$ (22.9)	\$ 1,902.1
Total equity	\$ 1,016.1	\$ 946.5	\$ 213.6	\$ (1,155.1)	\$ 1,021.1
Total liabilities and equity	\$ 1,016.1	\$ 2,717.1	\$ 368.0	\$ (1,178.0)	\$ 2,923.2

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CONDENSED UNAUDITED CONSOLIDATING STATEMENTS OF CASH FLOWS (in millions)

For the Six Months Ended June 30, 2014:	MasTec, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated MasTec, Inc.
Net cash (used in) provided by operating activities	\$(0.7)	\$23.2	\$ 32.8	\$—	\$ 55.3
Cash flows (used in) provided by investing activities:					
Cash paid for acquisitions, net of cash acquired	—	(39.9)	(123.0)	—	(162.9)
Capital expenditures	—	(59.2)	(8.4)	—	(67.6)
Proceeds from sale of property and equipment	—	8.0	0.8	—	8.8
Proceeds from other investments, net	—	0.6	—	—	0.6
Net cash used in investing activities	\$—	\$(90.5)	\$(130.6)	\$—	\$(221.1)
Cash flows provided by (used in) financing activities:					
Proceeds from credit facility	—	776.0	39.8	—	815.8
Repayments of credit facility	—	(430.4)	(33.3)	—	(463.7)
Repayments of senior convertible notes	—	(105.3)	—	—	(105.3)
Repayments of other borrowings and capital lease obligations	—	(28.4)	(1.8)	—	(30.2)
Excess tax benefits and net proceeds from stock-based awards	2.0	0.8	—	—	2.8
Payments of acquisition-related contingent consideration	—	(58.9)	—	—	(58.9)
Payments of financing costs	—	(1.3)	—	—	(1.3)
Net financing activities and advances (to) from consolidated affiliates	(1.3)	(79.4)	80.7	—	—
Net cash provided by financing activities	\$0.7	\$73.1	\$ 85.4	\$—	\$ 159.2
Net increase (decrease) in cash and cash equivalents	—	5.8	(12.4)	—	(6.6)
Net effect of currency translation on cash	—	—	(0.4)	—	(0.4)
Cash and cash equivalents - beginning of period	—	5.3	17.6	—	22.9
Cash and cash equivalents - end of period	\$—	\$11.1	\$ 4.8	\$—	\$ 15.9
Cash and cash equivalents of discontinued operations	\$—	\$—	\$ —	\$—	\$ —
Cash and cash equivalents of continuing operations	\$—	\$11.1	\$ 4.8	\$—	\$ 15.9
For the Six Months Ended June 30, 2013:	MasTec, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated MasTec, Inc.
Net cash (used in) provided by operating activities	\$(0.9)	\$31.0	\$ (7.2)	\$—	\$ 22.9
Cash flows (used in) provided by investing activities:					
Cash paid for acquisitions, net of cash acquired	—	(120.5)	—	—	(120.5)
Capital expenditures	—	(47.5)	(10.0)	—	(57.5)
Proceeds from sale of property and equipment	—	5.0	0.1	—	5.1
Proceeds from other investments, net	\$—	\$4.9	\$ —	\$—	\$ 4.9
Net cash used in investing activities	\$—	\$(158.1)	\$(9.9)	\$—	\$(168.0)
Cash flows provided by (used in) financing activities:					

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Proceeds from credit facility	\$—	\$451.0	\$ 48.7	\$—	\$ 499.7
Repayments of credit facility	—	(514.4) (44.2) —	(558.6)
Proceeds from senior notes, net	—	250.0	—	—	250.0
Repayments of other borrowings and capital lease obligations	—	(39.3	) (0.4	) —	(39.7)
Excess tax benefits and net proceeds from stock-based awards	4.2	1.2	—	—	5.4
Payments of acquisition-related contingent consideration	—	(12.8	) —	—	(12.8)
Payments of financing costs, including call premiums on extinguishment of debt	—	(11.7	) —	—	(11.7)
Net financing activities and advances (to) from consolidated affiliates	(3.3	) (6.4	) 9.7	—	—
Net cash provided by financing activities	\$0.9	\$117.6	\$ 13.8	\$—	\$ 132.3
Net decrease in cash and cash equivalents	—	(9.5	) (3.3	) —	(12.8)
Net effect of currency translation on cash	—	—	(0.3	) —	(0.3)
Cash and cash equivalents - beginning of period	—	12.7	14.0	—	26.7
Cash and cash equivalents - end of period	\$—	\$3.2	\$ 10.4	\$—	\$ 13.6
Cash and cash equivalents of discontinued operations	\$—	\$—	\$ 0.3	\$—	\$ 0.3
Cash and cash equivalents of continuing operations	\$—	\$3.2	\$ 10.1	\$—	\$ 13.3

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts but are the intent, belief, or current expectations of our business and industry and the assumptions upon which these statements are based. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions or dispositions. Words such as “anticipates,” “expects,” “intends,” “will,” “could,” “would,” “should,” “may,” “plans,” “believes,” “seeks,” “estimates” and variations of these words and negatives thereof and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

These risks and uncertainties include those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2013, including those described under “Risk Factors” in the Form 10-K, as updated by Item 1A, “Risk Factors” in this report and other filings we make with the Securities and Exchange Commission (“SEC”).

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. Readers are cautioned to not place undue reliance on forward-looking statements, which reflect management’s view only as of the date of this report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

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

The following is a discussion of our business, financial position and results of operations as of and for the three and six month periods ended June 30, 2014 and 2013. This discussion and analysis should be read in conjunction with the audited consolidated financial statements, accompanying notes and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Form 10-K for the year ended December 31, 2013.

Business Overview

We are a leading infrastructure construction company operating mainly throughout North America across a range of industries. Our primary activities include the engineering, building, installation, maintenance and upgrade of energy, utility and communications infrastructure, such as: petroleum and natural gas pipeline infrastructure; wireless, wireline/fiber and satellite communications; electrical utility transmission and distribution; power generation; and industrial infrastructure. Our customers are in these industries. Including our predecessor companies, we have been in business for more than 80 years. We offer our services primarily under the MasTec service mark and, as of June 30, 2014, we had approximately 18,100 employees and 390 locations. We have been consistently ranked among the top specialty contractors by Engineering News-Record for the past several years.

We provide our services to a diversified base of customers. We often provide services under master service and other service agreements, which are generally multi-year agreements. The remainder of our work is generated pursuant to contracts for specific projects or jobs that require the construction or installation of an entire infrastructure system or specified units within an infrastructure system. Revenue from service agreements, while subject to occasional volatility, is generally more predictable than revenue from non-recurring, project specific work given the need to replace project-specific revenue as projects are completed. If we are not able to replace work from completed projects with new project work, then we may not be able to maintain our current revenue levels or our current level of capacity and resource utilization. We actively review our backlog of project work and take appropriate action to minimize such exposure.

We present our continuing operations in five reportable segments: (1) Communications; (2) Oil and Gas; (3) Electrical Transmission; (4) Power Generation and Industrial and (5) Other. This structure is generally focused on broad end-user markets for our labor-based construction services. The Communications segment performs engineering,

construction and maintenance of communications infrastructure primarily related to wireless and wireline/fiber communications and install-to-the-home. We perform engineering, construction and maintenance services on oil and natural gas pipelines and processing facilities for the energy and utilities industries through the Oil and Gas segment. The Electrical Transmission segment primarily serves the energy and utility industries through the engineering, construction and maintenance of electrical transmission lines and substations. The Power Generation and Industrial segment primarily serves the energy and utility end-markets and other end-markets through the installation and construction of renewable power facilities, related electrical transmission infrastructure, ethanol facilities and various types of industrial infrastructure. The Other category primarily includes small business units that perform construction services for a variety of end markets in Mexico and elsewhere internationally.

See Note 15 - Segments and Related Information and Note 16 - Commitments and Contingencies in the notes to the condensed unaudited consolidated financial statements for operating results by segment and for significant customer concentrations.

Backlog

Estimated backlog represents the amount of revenue we expect to realize over the next 18 months from future work on uncompleted contracts, including new contractual agreements on which work has not begun. Our backlog estimates include amounts under master service and other service agreements in addition to construction projects. We determine the amount of backlog for work under master service and other service agreements based on historical trends, anticipated seasonal impacts and estimates of customer demand based on communications with our customers. The following presents 18-month backlog for our continuing operations by reportable segment as of the periods indicated (in millions):

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Reportable Segment:	June 30, 2014	March 31, 2014	June 30, 2013
Communications	\$2,600	\$3,000	\$2,733
Oil and Gas	724	605	808
Electrical Transmission	400	394	502
Power Generation and Industrial	201	202	86
Other	12	17	14
Estimated 18-month backlog	\$3,937	\$4,218	\$4,143

While our backlog estimates include amounts under master service and other service agreements, our customers are not contractually committed to purchase a minimum amount of services under these agreements, most of which can be canceled on short or no advance notice. For the six month period ended June 30, 2014, 52% of our revenue was derived from projects performed under master service and other service agreements. There can be no assurance as to our customers' requirements or that our estimates are accurate. In addition, timing of revenues for construction and installation projects included in our backlog can be subject to change as a result of customer delays, regulatory requirements and other project related factors. These changes could cause estimated revenues to be realized in periods later than originally expected, or not at all. As a result, our backlog as of any particular date is an uncertain indicator of future revenues and earnings.

Economic, Industry and Market Factors

We closely monitor the effects that changes in economic and market conditions may have on our customers. General economic and market conditions can negatively affect demand for our customers' products and services, which can lead to rationalization of our customers' capital and maintenance budgets in certain end markets. This factor influence, as well as the highly competitive nature of our industry, particularly when work is deferred, can, and in recent years, has resulted in lower bids and lower profit on the services we provide. In the face of increased pricing pressure, we strive to maintain our profit margins through productivity improvements and cost reduction programs. Other market and industry factors, such as changes to our customers' capital spending plans, mergers and acquisitions among the customers that we serve, access to capital for customers in the industries we serve, changes in technology, tax and other incentives, renewable energy portfolio standards and new or changing regulatory requirements affecting the industries we serve, can affect demand for our services. For example, fluctuations in market prices for, or availability of, oil, gas and other fuel sources can also affect demand for our pipeline and renewable energy construction services. While we actively monitor economic, industry and market factors affecting our business, we cannot predict the impact such factors may have on our future results of operations, liquidity and cash flows.

Impact of Seasonality and Cyclical Nature of Business

Our revenues and results of operations can be subject to seasonal and other variations. These variations are influenced by weather, customer spending patterns, bidding seasons, project schedules and timing, in particular, for large non-recurring projects, and holidays. Typically, our revenues are lowest in the first quarter of the year because cold, snowy or wet conditions cause delays. Revenues in the second quarter are typically higher than in the first quarter, as some projects begin, but continued cold and wet weather can often impact second quarter productivity. The third and fourth quarters are typically the most productive quarters of the year, as a greater number of projects are underway and weather is normally more accommodating to construction projects. In the fourth quarter, many projects tend to be completed by customers seeking to spend their capital budgets before the end of the year, which generally has a positive impact on our revenues. However, the holiday season and inclement weather can cause delays, which can reduce revenues and increase costs on affected projects. Any quarter may be positively or negatively affected by out of the ordinary weather patterns, such as excessive rainfall or warm winter weather, making it difficult to predict quarterly revenue and margin variations.

Additionally, our industry can be highly cyclical. Fluctuations in end-user demand within the industries we serve, or in the supply of services within those industries, can impact demand for our services. As a result, our business may be adversely affected by industry declines or by delays in new projects. Variations in project schedules or unanticipated

changes in project schedules, in particular, in connection with large construction and installation projects, can create fluctuations in revenues, which may adversely affect us in a given period, even if not in total. In addition, revenue from service agreements, while generally predictable, can be subject to occasional volatility. The financial condition of our customers and their access to capital; variations in project margins; regional, national and global economic and market conditions; regulatory or environmental influences; and acquisitions, dispositions or strategic investments can also materially affect quarterly results. Accordingly, our operating results in any particular period may not be indicative of the results that can be expected for any other period.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based upon our condensed unaudited consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed unaudited consolidated financial statements requires us to make estimates and judgments that affect the amounts reported in our condensed unaudited consolidated financial statements and the accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. As management estimates, by their nature, involve judgment regarding future uncertainties, actual results may differ from these estimates if conditions change or if certain key assumptions used in making these estimates ultimately prove to be materially incorrect. Refer to Note 1 – Business, Basis of Presentation and Significant Accounting Policies in the notes to our condensed unaudited consolidated financial statements of this Quarterly Report on Form 10-Q and to our most recent Annual Report on Form 10-K for detailed discussions of our significant accounting policies.

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We believe that our accounting estimates pertaining to: revenues and costs derived from fixed price contracts under the percentage-of-completion method; allowances for doubtful accounts; fair value estimates in connection with business acquisitions, in particular, estimated values of net assets acquired and estimated liabilities for future earn-out obligations; valuation of goodwill and indefinite-lived intangible assets; income taxes; legal contingencies; and self-insurance contingencies are the most critical in the preparation of our consolidated financial statements as they are important to the portrayal of our financial condition and as they require significant or complex judgment and estimates on the part of management. We frequently review our accounting policies and critical accounting measurements with the Audit Committee of the Board of Directors.

Results of Operations

Comparison of Quarterly Results

The following table reflects our consolidated results of operations in dollar and percentage of revenue terms for the periods indicated (dollar amounts in millions). Our consolidated results of operations are not necessarily comparable from period to period due to the impact of recent acquisitions. See Note 3 - Acquisitions in the notes to the condensed unaudited consolidated financial statements.

	Three Months Ended June 30,			Six Months Ended June 30,				
	2014	2013		2014	2013			
Revenue	\$1,104.6	100.0 %	\$977.6	100.0 %	\$2,068.6	100.0 %	\$1,896.3	100.0 %
Costs of revenue, excluding depreciation and amortization	950.9	86.1 %	822.7	84.1 %	1,791.9	86.6 %	1,614.2	85.1 %
Depreciation and amortization	36.8	3.3 %	33.6	3.4 %	70.2	3.4 %	65.4	3.4 %
General and administrative expenses	54.2	4.9 %	51.9	5.3 %	107.6	5.2 %	100.8	5.3 %
Interest expense, net	12.9	1.2 %	11.8	1.2 %	25.0	1.2 %	21.9	1.2 %
Loss on extinguishment of debt	—	—	—	—	—	—	5.6	0.3 %
Other (income) expense, net	(2.0)	(0.2) %	0.3	0.1 %	(4.0)	(0.2) %	(0.6)	0.0 %
Income from continuing operations before income taxes	\$51.8	4.7 %	\$57.3	5.9 %	\$77.9	3.8 %	\$89.0	4.7 %
Provision for income taxes	(19.7)	(1.8) %	(21.8)	(2.3) %	(29.6)	(1.4) %	(34.1)	(1.8) %
Net income from continuing operations	\$32.1	2.9 %	\$35.5	3.6 %	\$48.3	2.3 %	\$54.9	2.9 %
Net loss from discontinued operations	(0.1)	0.0 %	(0.5)	0.0 %	(0.3)	0.0 %	(1.4)	(0.1) %
Net income	\$31.9	2.9 %	\$35.0	3.6 %	\$48.0	2.3 %	\$53.4	2.8 %
Net income attributable to non-controlling interests	(0.2)	0.0 %	0.1	0.0 %	(0.1)	0.0 %	0.1	0.0 %
Net income attributable to MasTec, Inc.	\$32.1	2.9 %	\$34.9	3.6 %	\$48.1	2.3 %	\$53.3	2.8 %

Management reviews our operating results by reportable segment. See Note 15 - Segments and Related Information in the notes to the condensed unaudited consolidated financial statements, which is incorporated herein by reference. Our reportable segments are: (1) Communications; (2) Oil and Gas; (3) Electrical Transmission; (4) Power Generation and Industrial and (5) Other. Management's review of reportable segment results includes analyses of trends in revenue, EBITDA and EBITDA margin. We calculate EBITDA for segment reporting purposes consistently with our consolidated EBITDA calculation. See the discussion of non-U.S. GAAP financial measures following the Comparison of Quarterly Results discussion below. The following table presents revenue and EBITDA by reportable segment for our continuing operations for the periods indicated (dollar amounts in millions):

Revenue	EBITDA and EBITDA Margin		
For the Three Months Ended	For the Six Months Ended	For the Three Months Ended	For the Six Months Ended
Months Ended	Months Ended	June 30,	June 30,

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Reportable Segment:	June 30,		June 30,		2014		2013		2014		2013	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Communications	\$528.1	\$496.6	\$975.2	\$921.6	\$57.9	11.0%	\$63.4	12.8%	\$101.4	10.4%	\$109.8	11.9%
Oil and Gas	365.7	296.9	745.5	615.7	35.7	9.8%	51.2	17.2%	70.6	9.5%	93.6	15.2%
Electrical Transmission	114.5	118.6	194.6	203.1	17.0	14.9%	11.5	9.7%	20.5	10.5%	14.9	7.3%
Power Generation and Industrial	94.5	63.3	148.8	152.2	4.0	4.2%	(8.0)	(12.6)%	4.5	3.0%	(8.2)	(5.4)%
Other	2.7	3.4	5.4	5.7	0.3	11.3%	0.4	10.5%	0.5	8.5%	0.4	7.8%
Eliminations	(0.9)	(1.2)	(0.9)	(2.0)	—	—	—	—	—	—	—	—
Corporate	—	—	—	—	(13.4)	NA	(15.8)	NA	(24.4)	NA	(34.3)	NA
Consolidated Results	\$1,104.6	\$977.6	\$2,068.6	\$1,896.3	\$101.5	9.2%	\$102.7	10.5%	\$173.1	8.4%	\$176.2	9.3%

The following discussion and analysis of our results of operations should be read in conjunction with our condensed unaudited consolidated financial statements and notes thereto in Item 1 of this Form 10-Q.

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Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Revenue. Our revenue was \$1.1 billion for the three month period ended June 30, 2014 as compared with \$1.0 billion for the same period in 2013, an increase of approximately \$127 million, or 13%. Oil and Gas revenue increased by \$69 million, or 23%, Communications revenue increased by \$31 million, or 6%, and Power Generation and Industrial revenue increased by \$31 million, or 49%. Electrical Transmission revenue decreased by \$4 million, or 3%. Organic revenue growth totaled \$38 million. Acquisitions contributed \$89 million of the year over year increase in revenue. A discussion of revenue by segment follows below.

Communications Segment. Communications revenue was \$528 million for the three month period ended June 30, 2014, as compared with \$497 million for the same period in 2013, an increase of \$31 million, or 6%. Communications revenue growth occurred in wireless services, which increased by \$28 million, or 12%, and install-to-the-home services, which increased by \$11 million, or 7%. These increases were partially offset by wireline/fiber revenues, which declined by \$9 million. Acquisitions contributed \$24 million of the year over year increase in revenue, while organic revenue growth totaled approximately \$7 million.

Oil and Gas Segment. Oil and Gas revenue was \$366 million for three month period ended June 30, 2014, as compared with \$297 million for the same period in 2013, an increase of \$69 million, or 23%. The increase in Oil and Gas revenue was driven primarily by growth in midstream pipeline activities as well as pipeline facility and other project work, partially offset by the impact of project startup delays on long-haul pipeline work. Acquisitions contributed \$57 million of the year over year increase in revenue, while organic revenue growth totaled \$12 million.

Electrical Transmission Segment. Electrical Transmission revenue was \$114 million for the three month period ended June 30, 2014, as compared with \$119 million for the same period in 2013, a decrease of \$4 million, or 3%.

Acquisitions contributed \$8 million of revenue, whereas organic revenue declined by \$12 million, primarily as a result of project timing compared to the same period in the prior year.

Power Generation and Industrial Segment. Power Generation and Industrial revenue was \$95 million for the three month period ended June 30, 2014, as compared with \$63 million for the same period in 2013, an increase of \$31 million, or 49%. This increase resulted from higher levels of commercial and industrial project work associated with renewable power projects as compared with the same period in the prior year. These projects, which generally commence in the spring or summer months, are expected to comprise the majority of this segment's revenue in 2014.

Other Segment. Other segment revenue totaled approximately \$3 million for both the three month periods ended June 30, 2014 and 2013.

Costs of revenue, excluding depreciation and amortization. Costs of revenue, excluding depreciation and amortization, totaled \$1.0 billion, or 86.1% of revenue for the three month period ended June 30, 2014, as compared with \$0.8 billion, or 84.1% of revenue for the same period in 2013, a \$128 million, or 16% increase, of which approximately \$107 million was driven by higher revenue and approximately \$21 million of which was driven by decreased productivity. Costs of revenue, excluding depreciation and amortization, as a percentage of revenue increased by 200 basis points, primarily as a result of decreased productivity in the Communications segment due to higher indirect overhead costs, as well as higher costs in the Oil and Gas segment due to lower than normal prior year costs on a rate basis from project close-outs and efficiencies, coupled with current year pricing pressure and project inefficiencies resulting from timing of selected project startups.

Depreciation and amortization. Depreciation and amortization was \$37 million, or 3.3% of revenue for the three month period ended June 30, 2014 as compared with \$34 million in 2013, or 3.4% of revenue, an increase of approximately \$3 million, or 9.4%. Acquisitions contributed \$5 million of the year over year increase in depreciation and amortization expense. See Note 15 - Segments and Related Information in the notes to the condensed unaudited consolidated financial statements for depreciation and amortization expense by reportable segment, which is incorporated herein by reference.

General and administrative expenses. General and administrative expenses were \$54 million, or 4.9% of revenue for the three month period ended June 30, 2014, as compared with \$52 million, or 5.3% of revenue for the same period in 2013, an increase of approximately \$2 million, or 4.5%. Acquisitions contributed approximately \$3 million of incremental general and administrative costs. General and administrative expenses for both the three month periods ended June 30, 2014 and 2013 included \$4 million of non-cash stock-based compensation expense. As a percentage of

revenue, general and administrative costs decreased by approximately 40 basis points.

Interest expense, net. Interest expense, net of interest income, was \$13 million, or 1.2% of revenue for the three month period ended June 30, 2014, as compared with \$12 million, or 1.2% of revenue for the same period in 2013, an increase of \$1 million. The increase was largely attributable to incremental interest expense on our Credit Facility as a result of higher average outstanding borrowings for the three month period ended June 30, 2014 as compared with the same period in 2013, slightly offset by the conversion and settlement in June 2014 of our 4.0% Convertible Notes.

Other (income) expense, net. Other income, net, was \$2 million for the three month period ended June 30, 2014, as compared with other expense, net, of \$0.3 million for the same period in 2013. Our second quarter 2013 results were negatively affected by a final legal settlement charge of approximately \$3 million in connection with the resolution of Sintel, a legacy litigation matter, partially offset by a gain of \$0.7 million on the sale of our structured finance auction rate security.

Provision for income taxes. Income tax expense was \$20 million for the three month period ended June 30, 2014, as compared with \$22 million for the same period in 2013, a decrease of \$2 million. The decrease resulted primarily from lower income for three month period ended June 30, 2014 as compared with the same period in the prior year.

Loss from discontinued operations. Loss from discontinued operations, net of tax, was \$0.1 million for the three month period ended June 30, 2014 as compared with \$0.5 million for the same period in 2013. During the third quarter of 2013, we completed the sale of the Globetec operation.

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Analysis of EBITDA by Segment

Communications Segment. EBITDA for our Communications segment was \$58 million, or 11.0% of revenue for the three month period ended June 30, 2014, as compared with \$63 million, or 12.8% of revenue for the same period in 2013, a \$6 million, or 9% decrease. As a percentage of revenue, EBITDA decreased by 180 basis points, or approximately \$10 million, due, in part, to project inefficiencies and higher indirect overhead costs as well as startup costs associated with tower crew training initiatives.

Oil and Gas Segment. EBITDA for our Oil and Gas segment was \$36 million for the three month period ended June 30, 2014, or 9.8% of revenue, as compared with \$51 million for the same period in 2013, or 17.2% of revenue, a decrease of \$16 million, or 30%. As a percentage of revenue, EBITDA decreased by 740 basis points, or approximately \$27 million, with a majority of this decline due to lower than normal prior year costs on a rate basis from project close-outs and efficiencies, as well as current year pricing pressure and project inefficiencies resulting from timing of selected project startups.

Electrical Transmission Segment. EBITDA for our Electrical Transmission segment was \$17 million, or 14.9% of revenue for the three month period ended June 30, 2014, as compared with EBITDA of \$12 million, or 9.7% of revenue for the same period in 2013, an increase of \$6 million, or 47.9%. EBITDA margins increased by 520 basis points, or approximately \$6 million, driven primarily by project close-outs and improved efficiencies as compared to the same period in the prior year.

Power Generation and Industrial Segment. EBITDA for our Power Generation and Industrial segment was \$4.0 million, or 4% of revenue for the three month period ended June 30, 2014, as compared with negative EBITDA of \$8.0 million for the same period in 2013, an increase of \$12.0 million, or 150.1%. The improvement in EBITDA was driven largely by increased levels of renewable power project work in 2014 as compared with the same period in the prior year, which carried higher margins than the commercial and industrial project work completed in the second quarter of 2013.

Other Segment. EBITDA from Other businesses was \$0.3 million for the three month period ended June 30, 2014, as compared with \$0.4 million of EBITDA for the same period in 2013.

Corporate. Corporate EBITDA was negative \$13 million for the three month period ended June 30, 2014, as compared with negative EBITDA of \$16 million for the same period in 2013, an improvement of approximately \$2 million. Our second quarter 2013 results were negatively affected by a final legal settlement charge of approximately \$3 million in connection with the resolution of the Sintel, a legacy litigation matter, partially offset by a gain of \$0.7 million on the sale of our structured finance auction rate security. Corporate EBITDA for both the three month periods ended June 30, 2014 and 2013 included approximately \$4 million of non-cash stock-based compensation expense.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Revenue. Our revenue was \$2.1 billion for the six month period ended June 30, 2014 as compared with \$1.9 billion for the same period in 2013, an increase of approximately \$172 million, or 9%. Oil and Gas revenue increased by \$130 million, or 21%, and Communications revenue increased by approximately \$54 million, or 6%. Electrical Transmission revenue decreased by approximately \$8 million, or 4%, and Power Generation and Industrial revenue decreased by \$3 million, or 2%. Acquisitions contributed \$209 million of the year over year increase in revenue, whereas organic revenue declined by \$37 million, as a result of project delays, including the effect of first quarter 2014 weather disruptions that affected project work on both existing projects as well as new project startups. A discussion of revenue by segment follows below.

Communications Segment. Communications revenue was \$975 million for the six month period ended June 30, 2014, as compared with \$922 million for the same period in 2013, an increase of approximately \$54 million, or 6%.

Communications revenue growth occurred in wireless services, which increased by \$74 million, or 18%, offset in part by a decrease in other Communications segment services such as wireline/fiber, install-to-the-home and utility services, which declined by \$21 million due to project timing and the effect of first quarter 2014 weather disruptions on project work. Acquisitions contributed approximately \$43 million of the year over year increase in revenue, while organic revenue growth totaled approximately \$11 million.

Oil and Gas Segment. Oil and Gas revenue was \$746 million for six month period ended June 30, 2014, as compared with \$616 million for the same period in 2013, an increase of approximately \$130 million, or 21%, driven primarily

by increases in midstream pipeline activities as well as pipeline facility and other project work. Acquisitions contributed \$154 million of the year over year increase in revenue, whereas organic revenue declined by \$24 million, primarily as a result of timing of project startups as well as the effect of first quarter 2014 weather disruptions on project work.

Electrical Transmission Segment. Electrical Transmission revenue was \$195 million for the six month period ended June 30, 2014, as compared with \$203 million for the same period in 2013, a decrease of approximately \$8 million, or 4%. Acquisitions contributed \$13 million of revenue, whereas organic revenue declined by \$21 million, due to project timing as compared to the same period in the prior year and the effect of first quarter 2014 weather disruptions on project work.

Power Generation and Industrial Segment. Power Generation and Industrial revenue was \$149 million for the six month period ended June 30, 2014, as compared with \$152 million for the same period in 2013, a decrease of \$3 million, or 2%. This decrease was primarily caused by the timing of renewable power projects, which generally commence in the spring or summer months and are expected to comprise the majority of this segment's revenue in 2014.

Other Segment. Other segment revenue was approximately \$5 million for the six month period ended June 30, 2014, as compared with approximately \$6 million for the same period in 2013.

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Costs of revenue, excluding depreciation and amortization. Costs of revenue, excluding depreciation and amortization, totaled \$1.8 billion, or 86.6% of revenue for the six month period ended June 30, 2014, as compared with \$1.6 billion, or 85.1% of revenue for the same period in 2013, a \$178 million, or 11.0% increase, of which approximately \$147 million was driven by higher revenue and approximately \$31 million of which was driven by decreased productivity. Costs of revenue, excluding depreciation and amortization, as a percentage of revenue increased by 150 basis points, resulting from decreased productivity in the Communications segment due to higher indirect overhead costs, as well as higher costs in the Oil and Gas segment due to lower than normal prior year costs on a rate basis from project close-outs and efficiencies, coupled with current year pricing pressure and project inefficiencies resulting from timing of selected project startups.

Depreciation and amortization. Depreciation and amortization was \$70 million, or 3.4% of revenue, for the six month period ended June 30, 2014 as compared with \$65 million in 2013, or 3.4% of revenue, an increase of \$5 million, or 7.5%. Acquisitions comprised approximately \$9 million of year over year depreciation and amortization expense. See Note 15 - Segments and Related Information in the notes to the condensed unaudited consolidated financial statements for depreciation and amortization expense by reportable segment, which is incorporated herein by reference.

General and administrative expenses. General and administrative expenses were \$108 million, or 5.2% of revenue for the six month period ended June 30, 2014, as compared with \$101 million, or 5.3% of revenue for the same period in 2013, an increase of \$7 million, or 6.7%, driven largely by acquisitions, which contributed approximately \$7 million of incremental general and administrative costs. As a percentage of revenue, general and administrative costs decreased by approximately 10 basis points.

Interest expense, net. Interest expense, net of interest income, was \$25 million, or 1.2% of revenue for the six month period ended June 30, 2014, as compared with \$22 million, or 1.2% of revenue for the same period in 2013, an increase of \$3 million. The increase was largely attributable to \$2 million of incremental interest expense on our outstanding senior notes. In March 2013, we issued \$400 million aggregate principal amount of 4.875% senior notes and repurchased and redeemed \$150 million aggregate principal amount of 7.625% senior notes. In addition, interest expense on our Credit Facility increased by approximately \$1 million as a result of higher average borrowings for the six month period ended June 30, 2014 as compared with the same period in 2013.

Loss on extinguishment of debt. We incurred \$5.6 million of debt extinguishment costs in 2013 in connection with the repurchase and redemption of \$150 million aggregate principal amount of our 7.625% senior notes. This amount comprised \$4.1 million of early payment premiums and \$1.5 million of unamortized deferred financing costs.

Other income, net. Other income, net, was \$4 million for the six month period ended June 30, 2014, as compared with \$1 million for the same period in 2013. Other income for the six month period ended June 30, 2014 consisted largely of gains on sales of equipment. Our second quarter 2013 results were negatively affected by a final legal settlement charge of approximately \$3 million in connection with the resolution of Sintel, a legacy litigation matter, partially offset by a gain of \$0.7 million on the sale of our structured finance auction rate security.

Provision for income taxes. Income tax expense was \$30 million for the six month period ended June 30, 2014, as compared with \$34 million for the same period in 2013, representing a decrease of \$4 million. The decrease was primarily attributable to lower income for six month period ended June 30, 2014 as compared with the same period in the prior year

Loss from discontinued operations. Loss from discontinued operations, net of tax, was \$0.3 million for the six month period ended June 30, 2014 as compared with \$1 million for the same period in 2013. During the third quarter of 2013, we completed the sale of the Globetec operation.

Analysis of EBITDA by Segment

Communications Segment. EBITDA for our Communications segment was \$101 million, or 10.4% of revenue for the six month period ended June 30, 2014, as compared with \$110 million, or 11.9% of revenue for the same period in 2013, an \$8 million, or 8% decrease. As a percentage of revenue, EBITDA decreased by 150 basis points, or approximately \$15 million, due, in part, to project inefficiencies and higher indirect overhead costs as well as startup costs associated with tower crew training initiatives.

Oil and Gas Segment. EBITDA for our Oil and Gas segment was \$71 million for the six month period ended June 30, 2014, or 9.5% of revenue, as compared with \$94 million for the same period in 2013, or 15.2% of revenue, a decrease

of \$23 million, or 25%. As a percentage of revenue, EBITDA decreased by 570 basis points, or approximately \$43 million, with a majority of this decline due to lower than normal prior year costs on a rate basis from project close-outs and efficiencies, as well as current year pricing pressure and project inefficiencies resulting from timing of selected project startups.

Electrical Transmission Segment. EBITDA for our Electrical Transmission segment was \$21 million, or 10.5% of revenue for the six month period ended June 30, 2014, as compared with EBITDA of \$15 million, or 7.3% of revenue for the same period in 2013. EBITDA margins increased by 320 basis points, driven primarily by project close-outs and improved efficiencies as compared to the same period in the prior year.

Power Generation and Industrial Segment. EBITDA for our Power Generation and Industrial segment was \$4 million, or 3.0% of revenue for the six month period ended June 30, 2014, as compared with negative EBITDA of \$8 million for the same period in 2013, an increase of \$13 million or 154.6%. The increase in EBITDA was driven largely by increased renewable power project work in 2014, which carried higher margins than the commercial and industrial project work that was completed in the first half of 2013.

Other Segment. EBITDA from Other businesses was \$0.5 million for the six month period ended June 30, 2014, as compared with \$0.4 million of EBITDA for the same period in 2013.

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Corporate. Corporate EBITDA was negative \$24 million for the six month period ended June 30, 2014, as compared with negative EBITDA of \$34 million for the same period in 2013, an improvement of approximately \$10 million. Approximately \$9 million of this improvement was driven by \$6 million of debt extinguishment costs and approximately \$3 million of legal settlement charges recorded in 2013, partially offset by a gain of \$0.7 million on the sale of our structured finance auction rate security in the second quarter of 2013. Corporate EBITDA for both the six month periods ended June 30, 2014 and 2013 included approximately \$7 million of non-cash stock-based compensation expense.

Foreign Operations

We have operations in Canada as well as in parts of Latin America. Our Canadian presence has grown in recent years due to acquisitions, including the June 2014 acquisition of Pacer, a Canadian oil and gas infrastructure construction services company. See Note 15 - Segments and Related Information in the notes to the condensed unaudited consolidated financial statements, which is incorporated herein by reference.

Non-U.S. GAAP Financial Measures

As appropriate, we supplement our reported U.S. GAAP financial information with certain non-U.S. GAAP financial measures, including earnings from continuing operations before interest, income taxes, depreciation and amortization (“EBITDA”). In addition, we have presented “Adjusted EBITDA,” as well as adjusted net income from continuing operations (“Adjusted Net Income From Continuing Operations”) and adjusted diluted earnings per share from continuing operations (“Adjusted Diluted Earnings Per Share From Continuing Operations”). All of these “adjusted” non-U.S. GAAP measures exclude non-cash stock-based compensation expense, Sintel legal settlement charges and the loss on debt extinguishment from the repurchase and redemption of our 7.625% senior notes. See Note 11 - Stock-Based Compensation and Other Employee Benefit Plans and Note 16 - Commitments and Contingencies in the notes to the condensed unaudited consolidated financial statements, which notes are incorporated herein by reference, and Note 9 - Debt in the notes to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013. The definitions of EBITDA and Adjusted EBITDA above are not the same as in our Credit Facility or in the indentures governing our outstanding notes; therefore, EBITDA and Adjusted EBITDA as presented in this discussion should not be used for purposes of determining our compliance with any covenants contained in our debt instruments.

We use EBITDA, Adjusted EBITDA, Adjusted Net Income From Continuing Operations and Adjusted Diluted Earnings Per Share From Continuing Operations to evaluate our performance, both internally and as compared with our peers, because these measures exclude certain items that may not be indicative of our core operating results, as well as items that can vary widely across different industries or among companies within the same industry.

Additionally, these measures provide a baseline for analyzing trends in our underlying business. Management also considers EBITDA and Adjusted EBITDA as indicators of our ability to generate cash to service debt, fund capital expenditures and expand our business, but management does not consider the presented non-U.S. GAAP financial measures as measures of our liquidity. While EBITDA and Adjusted EBITDA are measures of our ability to generate cash, these measures exclude the cash impact of changes in our assets and liabilities as well as interest and income taxes. Net cash provided by operating activities in the consolidated statement of cash flows accounts for these changes in our assets and liabilities.

We believe these non-U.S. GAAP financial measures provide meaningful information and help investors understand our financial results and assess our prospects for future performance. Because non-U.S. GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-U.S. GAAP financial measures having the same or similar names. These financial measures should not be considered in isolation from, as substitutes for, or alternative measures of, reported net income from continuing operations, diluted earnings per share from continuing operations and net cash provided by operating activities, and should be viewed in conjunction with the most comparable GAAP financial measures and the provided reconciliations thereto. We believe these non-U.S. GAAP financial measures, when viewed with our U.S. GAAP results and the related reconciliations, provide a more complete understanding of our business. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not rely on any single financial measure.

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The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net income from continuing operations, in dollar and percentage of revenue terms, for the periods indicated (dollar amounts in millions). The table below may contain slight summation differences due to rounding.

EBITDA Reconciliation - Continuing Operations:	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2014		2013		2014		2013		2014		2013	
Net income from continuing operations	\$32.1	2.9 %	\$35.5	3.6 %	\$48.3	2.3 %	\$54.9	2.9 %	\$32.1	2.9 %	\$54.9	2.9 %
Interest expense, net	12.9	1.2 %	11.8	1.2 %	25.0	1.2 %	21.9	1.2 %	12.9	1.2 %	21.9	1.2 %
Provision for income taxes	19.7	1.8 %	21.8	2.3 %	29.6	1.4 %	34.1	1.8 %	19.7	1.8 %	34.1	1.8 %
Depreciation and amortization	36.8	3.3 %	33.6	3.4 %	70.2	3.4 %	65.4	3.4 %	36.8	3.3 %	65.4	3.4 %
EBITDA – Continuing Operations	\$101.5	9.2 %	\$102.7	10.5 %	\$173.1	8.4 %	\$176.2	9.3 %	\$101.5	9.2 %	\$176.2	9.3 %
Non-cash stock-based compensation expense	4.2	0.4 %	4.3	0.4 %	7.5	0.4 %	6.6	0.3 %	4.2	0.4 %	6.6	0.3 %
Loss on debt extinguishment	—	—	—	—	—	—	5.6	0.3 %	—	—	5.6	0.3 %
Sintel legal settlement	—	—	2.8	0.3 %	—	—	2.8	0.1 %	—	—	2.8	0.1 %
Adjusted EBITDA – Continuing Operations	\$105.7	9.6 %	\$109.8	11.2 %	\$180.6	8.7 %	\$191.2	10.1 %	\$105.7	9.6 %	\$191.2	10.1 %

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The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net cash provided by operating activities for total MasTec (in millions):

	For the Six Months Ended June 30,	
	2014	2013
Total EBITDA Reconciliation:		
EBITDA, Continuing operations	\$173.1	\$176.2
EBITDA, Discontinued operations	(0.5	) (2.3
EBITDA, Total MasTec	\$172.6	\$173.9
Reconciliation to Adjusted EBITDA and to Net Cash Provided by Operating Activities, Total MasTec:		
Non-cash stock-based compensation expense	7.5	6.6
Loss on debt extinguishment	—	5.6
Sintel legal settlement	—	2.8
Adjusted EBITDA, Continuing operations	\$180.6	\$191.2
Adjusted EBITDA, Discontinued operations	(0.5	) (2.3
Adjusted EBITDA, Total MasTec	\$180.1	\$188.9
Interest expense		