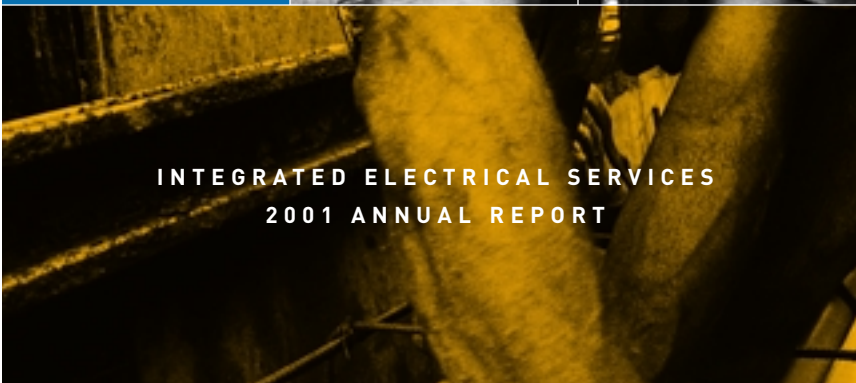
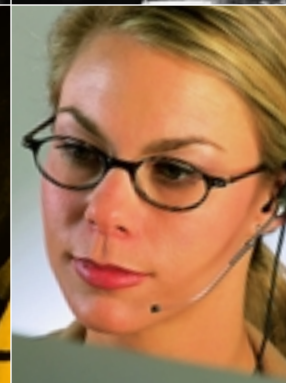




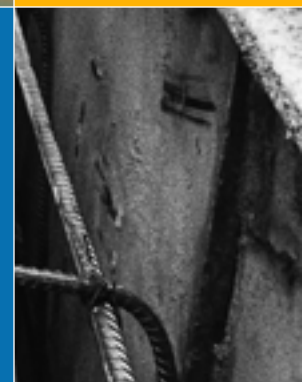
service



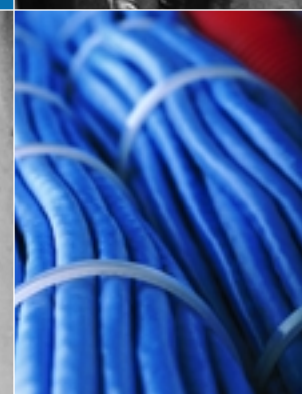
INTEGRATED ELECTRICAL SERVICES  
2001 ANNUAL REPORT



deliver



design



IES is a leading national provider of electrical and communications contracting solutions. Built from a network of more than 170 locations and organized by geographic region, our diverse expertise and national presence allow us to provide effective solutions for our customers. Our business units have diverse areas of expertise and are linked by the common strategy of providing better solutions for our customers. At every level, we're focused on operating improvements that will enable us to broaden our range of capabilities — matching design and installation maintenance services. Our national presence, expertise and service offerings make IES a preferred provider of electrical and communications contracting solutions.

#### ABOUT THE COMPANY

*Integrated Electrical Services is a premier provider of electrical contracting and communications solutions in the United States. With more than 170 locations across the U.S., the Company's 15,300 employees are primarily skilled service professionals. Focused on its core business — electrical contracting complemented by its communications solutions business — IES has a diverse base of customers in the commercial and industrial, residential and service markets. The Company provides a full range of services from system design, build and installation to contract maintenance. IES was founded in 1997 and is headquartered in Houston, Texas. The Company's stock is traded on the New York Stock Exchange under the symbol IEE.*

#### FINANCIAL HIGHLIGHTS

(in thousands, except per share amounts)

Years Ended September 30,

	1999	2000	2001
Revenues	\$ 1,035,888	\$ 1,672,288	\$ 1,693,213
Gross Profit	\$ 219,173	\$ 299,751	\$ 307,624
Net Income	\$ 48,107	\$ 21,156	\$ 28,710
Earnings Per Diluted Share	\$ 1.39	\$ 0.52	\$ 0.70
EBITDA	\$ 112,633	\$ 97,210	\$ 109,174
Total Assets	\$ 858,492	\$ 1,019,990	\$ 1,033,503
Total Debt	\$ 229,544	\$ 245,065	\$ 288,551
Stockholders' Equity	\$ 467,166	\$ 507,749	\$ 528,644
Total Common Shares Outstanding	38,642	40,755	39,692

solutions



H. RODDY ALLEN  
PRESIDENT AND CEO

# LETTER

## To The Stakeholders:

After three years of rapid expansion, IES has turned back to the basics. We need to ensure the structure, strategy and people are in place to make the fundamentals of our operations sound, while we continue to improve the effectiveness of our business. This will allow us to maximize efficiencies while minimizing our cost structure.

We have made significant accomplishments in our first three years of operation. In these three years, IES acquired 85 companies, and during 2001 was named a Fortune 1000 company and was listed by *Fortune* magazine as the 18th fastest-growing U.S. public company. During this period, we also developed a cohesive long-term growth strategy focusing on our electrical and communications contracting companies and established a corporate structure that provides the flexibility to manage through a challenging economic environment. We have implemented a successful centralized process for national opportunities in sales and procurement, and we are in the process of implementing a company-wide business process system. In addition, we are seeing results from our safety and procurement initiatives.

Our efforts have produced results and will further position us for future success. The Company had a solid year. We ended fiscal 2001 with a 35 percent increase in diluted earnings per share — \$0.70, up from \$0.52 in fiscal 2000. IES posted a slight increase in revenues — \$1.693 billion compared to \$1.672 billion in fiscal 2000 in an increasingly challenging economic environment during the second half of the year. Earnings before interest, taxes, depreciation and amortization, or EBITDA, increased to \$109.2 million from \$97.2 million. Net income was \$28.7 million, up from 2000's \$21.2 million.

Even with these solid results, the fourth quarter was not what we expected for IES. A quarter already challenged by an economic slowdown was severely disrupted by the tragic events of September 11. The net result was a quarter below our expectations, but still profitable.

### THE RIGHT MOVES

The Company's overall performance resulted largely from the integration of its business units into nine regions. This allowed us to increase the oversight of our project management, manpower planning, and decrease the potential for project shortfalls.

Our unified office system, which is essentially an enterprise resource planning tool, will improve our business controls, enhance business operations and streamline financial processes, giving us faster,

BACK TO THE BASICS | →

*Our plan is to key on opportunities that directly impact the Company's bottom line — namely, making our businesses of electrical and communications contracting the best they can possibly be.*



more accurate financial and operational data. Installation of the office system has been completed at 43 locations representing 27 IES business units. We expect it to be fully implemented by year-end 2003. We have just completed our Wide Area Network, which provides all of our regional offices and headquarters a tool for collaboration and sharing direct connection to each other.

In the past, IES identified the potential of national procurement programs, and this year we moved to capitalize on the opportunity. We have leveraged our aggregate spending to create a competitive advantage and have programs with both manufacturers and distributors that will enhance our bottom line.

Our safety initiative has demonstrated significant results. We formalized the new safety awareness program early in the year, and IES has seen a significant decrease in reportable incidents, lost time accidents and overall claims.

In May, we completed two financings which provide us with better access to capital. Working with J.P. Morgan, we issued \$125 million in bonds, due in 2009, and syndicated a \$150 million credit facility.

### THE MANAGEMENT

I am pleased to have been chosen as Chief Executive Officer in October 2001. I believe our management team, with proven experience at both the operational and corporate levels, will lead this Company through the uncertain economic environment our country faces. We have taken steps to reduce costs and create a company capable of reacting to diverse economic conditions. Our goal is to focus on the fundamental basics of our business, control our costs and take advantage of new opportunities as they emerge.

### THE PEOPLE

Employees are the heart of our company. Our continued success depends upon our ability to attract and retain quality people. We have a market based compensation program that rewards employees for their performance. This, in conjunction with the introduction of our enhanced benefits program and continued focus on training, career development and succession planning, will help our people become better problem solvers and company leaders.



### THE OUTLOOK

Currently, about \$1.5 billion of IES' revenue comes from its electrical contracting divisions including service, residential, commercial and industrial. Revenue from our communications division represents just under \$0.2 billion. Given the current environment, we are building our communications business conservatively, as market conditions allow. To achieve this, we are utilizing our strength in electrical contracting and adding communications capabilities inside many of our existing electrical operations. In November, we opened four more communications operations within existing electrical businesses in the southeast. This growth strategy allows us to leverage our market strength while minimizing costs and exposure.

While our operations extend to 47 states, we continue to concentrate on Sunbelt markets, which are projected to have the strongest construction growth in the next five years. We are well-positioned for this strategy, with a substantial presence in Texas and Florida.

I am very honored to be in this position and focused on bringing IES back to the basics. Our plan is to key on opportunities that directly impact the Company's bottom line — namely, making our businesses of electrical and communications contracting the best they can possibly be. We have an effective, yet lean organization that can manage through diverse business environments and is well poised for strategic growth. We are confident this sound strategy will deliver value to our stockholders.

Sincerely,

A handwritten signature in black ink that reads "H. Roddy Allen".

H. Roddy Allen  
President and Chief Executive Officer



in the field

# OPERATIONS

## ACQUIRED EXPERTISE

When Integrated Electrical Services was founded in 1997, it filled a void in the highly fragmented electrical contracting industry. IES acquired 85 business units and became one of the nation's largest electrical and communications contractors.

Our growth was focused on having a national presence in electrical and communications contracting and also focused on quality. We acquired some of the nation's most successful and well-known electrical contractors — companies with expertise in utilities, hospitals, residential developments, industrial facilities, airports, big-box retail stores and grocery chains. This gave IES the platform to build the strong company it is today.

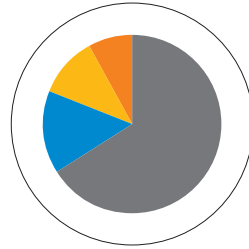
## BUSINESS STRATEGIES

The Company is built upon two businesses — electrical contracting complemented by communications contracting. IES' business units are organized in regions, ensuring strong leadership in the field.

Size gives IES some distinct competitive advantages — including volume to execute a successful purchasing strategy, geographic diversity to serve large national accounts and a broad range of expertise to better service a large pool of customers throughout the U.S.

IES also excels on a human capital scale. The Company's human resources initiatives set a high standard for the industry. To attract and retain talented craftspeople and managers, the Company provides an open environment for employees, with training incentives and career opportunities. Stringent safety standards and safety education, implemented throughout IES, resulted in a significant improvement in IES' 2001 safety record.

REVENUE MIX BY MARKET



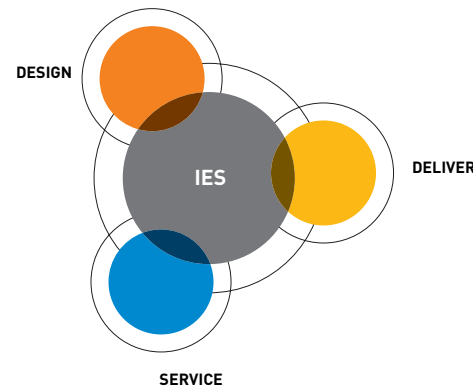
- 66% COMMERCIAL AND INDUSTRIAL
- 15% RESIDENTIAL
- 11% COMMUNICATIONS
- 8% SERVICE AND MAINTENANCE

THE RESULTS

IES' stockholders saw the results of this labor: the Company's diluted earnings per share increased 35 percent, to \$0.70.

Revenues for fiscal 2001 were \$1.693 billion, with EBITDA of \$109.2 million. Commercial/industrial revenues were 66 percent of the total, with 15 percent from residential, 11 percent from communications and 8 percent from service and maintenance.

ONE STOP ELECTRICAL AND COMMUNICATIONS SOLUTIONS



THE COMPETITIVE ADVANTAGE

IES has a competitive edge — innovative execution of both electrical and communications contracting services. We provide superior solutions to our customers by maintaining a quality operation from top to bottom — utilizing the IES advantages of scale and diverse project experience, which IES has learned to leverage across the entire organization.

No matter how different their design, every kind of building has a unique set of electrical and communications requirements. Few contractors can be good at them all. This is another IES competitive advantage. Because the Company was created by bringing together dozens of quality contractors — including many who are the best at what they do — IES has an unrivaled ability to leverage its expertise.

Among the Company's business units are the contractors of choice for high rise condominiums, hospitals, industrial facilities, airports, big-box retail stores and grocery chains. These business units are actively networked, enabling others across the Company to partner, share expertise, learn and grow. With these quality connections, major projects that are out of reach for many competitors are possible for IES.

Success stories are common. Among current examples are a major hospital project in Birmingham, Alabama, and a 30-story luxury tower project in Houston, Texas. In both cases, several IES business units worked together to obtain jobs and extended their capabilities for the long term.

While aggressively controlling costs, IES is also working to diversify and broaden its base. The Company's experience enables it to offer a full range of solutions — including electrical and communications systems design, installation of electrical and communications systems, and recurring maintenance and emergency-related services.

NATIONAL ACCOUNTS

With businesses serving 47 states, IES is a 'single source' solutions provider for a diverse base of large, high profile national accounts — all served by a dedicated national marketing team.

The Company's customers include some of the best-known corporate names in America. In the commercial sector, we build everything from office and apartment buildings to hotels, retail centers, theaters, sports arenas, airports, military installations and hospitals. IES' industrial projects include refineries, cogeneration facilities, waste water treatment plants and manufacturing facilities. Residential customers include developers of single-family homes and multi-family communities.

The Company also has opportunities in the utility and power line sector, where growth is being accelerated by deregulation, a historic lack of spending on the infrastructure and reduced power plant construction during the 1990s.

BOTTOM LINE STRATEGY

At IES, we're working to provide stockholder value by leveraging our key strengths and managing our costs.





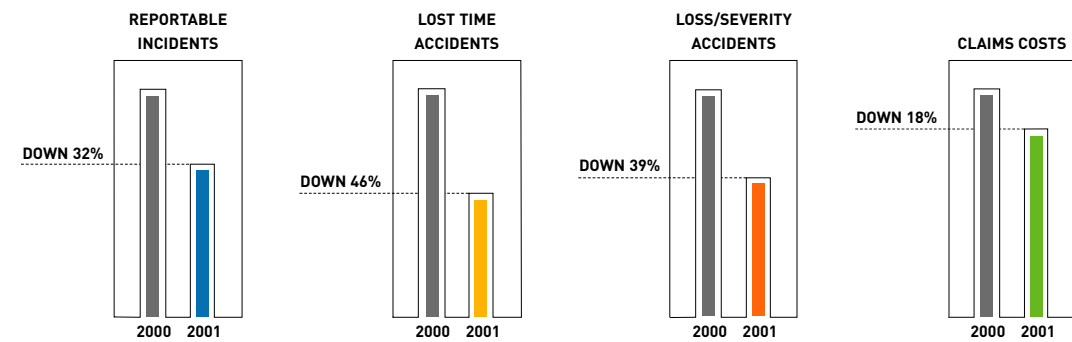


**SAFETY FIRST**

Construction can be a dangerous business. Striving to be the safest company in the industry, IES focuses on stringent standards designed to protect our people in the field and our customers.

It's not just a matter of orienting and training new employees. We have implemented a safety awareness program throughout the organization. Every business unit has a designated safety manager who works with the national safety director. On-site safety audits are regularly scheduled, and significant incentives are offered for the attainment of high safety standards. Already, the Company's safety initiatives have generated meaningful and measurable results. In 2001, IES showed significant improvement in every key safety initiative.

**WORKING SAFELY**  
KEY SAFETY INITIATIVES THAT IMPROVED IN 2001



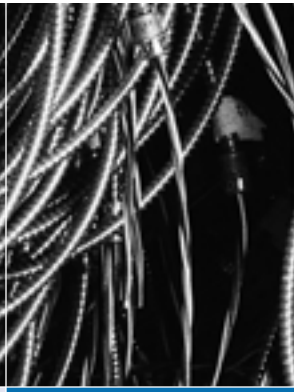
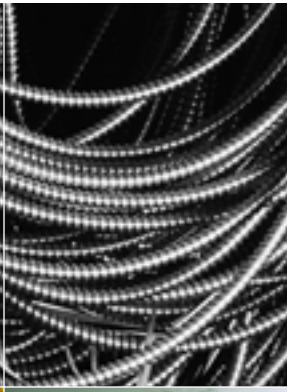
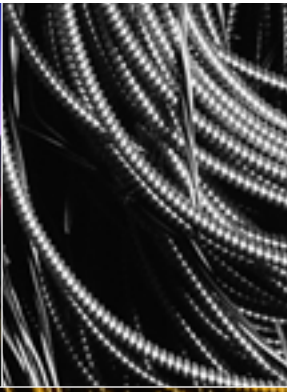
**BUSINESS UNITS**

- Ace/Putzel Electric
- Aladdin-Ward Electric & Air, Inc.
- Amber Electric, Inc.
- Anderson & Wood Construction Co., Inc.
- ARC Electric, Inc.
- Bachofner Electric
- Bexar Electric Company, Ltd.
- Brink Electric Construction Co.
- Britt Rice Electric, LP
- Bryant Electric Company, Inc.
- California Communications
- Canova Electrical Contracting, Inc.
- Carroll Systems, LP
- Collier Electric Company, Inc.
- Commercial Electrical Contractors, Inc.
- Cross State Electric, Inc.
- Cypress Electrical Contractors, Inc.
- Daniel Electrical Contractors, Inc.
- Davis Electrical Constructors, Inc.
- Delco Electric, Inc.
- DKD Electric Company, Inc.
- Electro-Tech, Inc.
- Elite
- Ernest P. Breaux Electrical, Inc.
- Federal Communications Group, Inc.
- Florida Industrial Electric, Inc.
- Goss Electric Company, Inc.
- Hatfield Reynolds Electric Company
- Haymaker Electric, Ltd.
- Houston-Stafford Electric Contractors, LP
- Howard Brothers Electric Co., Inc.

- H.R. Allen, Inc.
- J.W. Gray Electric Contractors, LP
- Kayton Electric, Inc.
- Key Electrical Supply, Inc.
- Mark Henderson, Inc.
- Menninga Electric, Inc.
- Mid-States Electric Company, Inc.
- Mills Electric LP
- Mitchell Electric Company, Inc.
- Murray Electrical Contractors, Inc.
- Muth Electric, Inc.
- Neal Electric Company, Inc.
- Newcomb Electric Company, Inc.
- New Technology Electrical Contractors, Inc.
- Pan American Electric, Inc.
- Paulin Electric Company, Inc.
- PCX Corporation
- Pollock Summit Electric, LP
- PrimeNet, Inc.
- Primo Electric Company
- Raines Electric, LP
- Rockwell Electric, Inc.
- Rodgers Electric Company, Inc.
- Ron's Electric, Inc.
- SEI Electrical Contractor
- T&H Electrical Corporation
- Tech Electric Co., Inc.
- Tesla Power
- Thomas Popp & Company
- Valentine Electrical, Inc.
- Wolfe Electric Co., Inc.



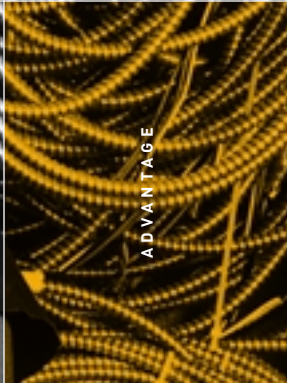
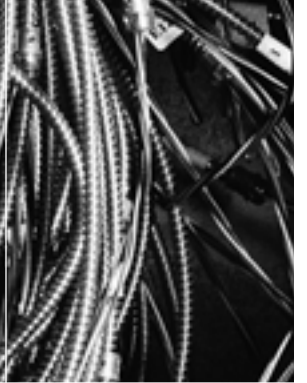




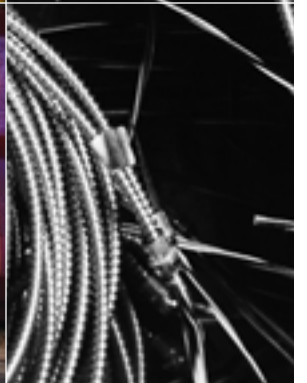
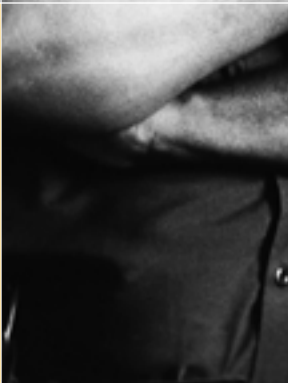
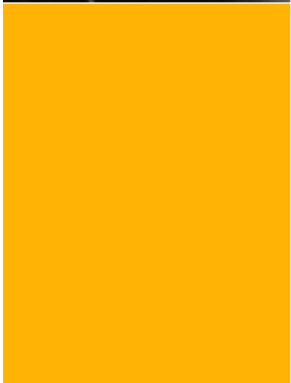
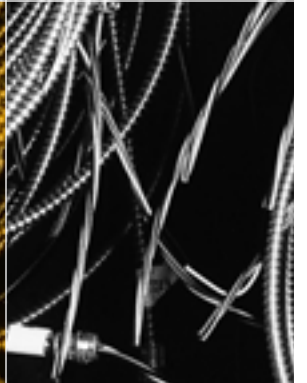
expertise



COMPETITIVE



ADVANTAGE



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1800 West Loop South, Suite 500  
Houston, Texas 77027  
Phone: 713-860-1500  
Fax: 713-860-1599

Common Stock Data  
Trading Symbol: IEE  
New York Stock Exchange

Independent Auditors  
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711 Louisiana, Suite 1300  
Houston, Texas 77002

Stock Transfer Agent and Registrar  
Computershare Investor Services  
12039 West Alameda Parkway  
Suite Z-2  
Lakewood, Colorado 80228

Further information about Integrated  
Electrical Services, Inc. is available  
on the Company's Web site at  
[www.ies-co.com](http://www.ies-co.com)

For additional copies of the Company's  
2001 annual report, contact:  
Investor Relations Department  
Integrated Electrical Services, Inc.  
1800 West Loop South, Suite 500  
Houston, Texas 77027

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President and  
Chief Executive Officer, IES

Richard L. China  
Chief Operating Officer, IES

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Managing Director,  
Summit Group International, Ltd.

Ben L. Mueller

Alan R. Sielbeck<sup>2,3</sup>  
Consultant

C. Byron Snyder<sup>4</sup>  
Chairman  
Senior Managing Director,  
Main Street Equity Ventures, II, LP

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The University of Texas at Austin

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IES Operations Group

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Chairman Emeritus, Baker Hughes

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President and  
Chief Executive Officer

Richard L. China<sup>5</sup>  
Chief Operating Officer

William W. Reynolds<sup>5</sup>  
Executive Vice President and  
Chief Financial Officer

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Senior Vice President,  
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Chief Technology and  
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Senior Vice President, Operations

John S. Wagner  
President, Residential,  
IES Operations Group

Bob Weik<sup>5</sup>  
President, Western Area,  
IES Operations Group

<sup>1</sup> member of the Compensation Committee

<sup>2</sup> member of the Audit Committee

<sup>3</sup> member of the Governance Committee

<sup>4</sup> member of the Executive Committee

<sup>5</sup> Executive Officer

**IES**

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Services