

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 March 31, 1998
Commission file number 0-3797

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

59-1259279
(I.R.S. Employer
Identification No.)

3155 N.W. 77th Avenue, Miami, FL
(Address of principal executive offices)

33122-1205
(Zip Code)

Registrant's telephone number, including area code: (305) 599-1800

Former name, former address and former fiscal year, if changed since last report:
Not Applicable

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Class of Common Stock	Outstanding as of
-----	May 13, 1998
-----	-----
\$ 0.10 par value	27,809,805

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

MasTec, Inc.
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MASTEC, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share amounts)

	Three Months Ended March 31, (Unaudited)	
	1998	1997
Revenue	\$ 186,095	\$ 138,290
Costs of revenue	152,966	99,271
Depreciation and amortization	7,896	4,304
General and administrative expenses	38,499	19,011
Operating (loss) income	(13,266)	15,704
Interest expense	5,056	2,933
Interest and dividend income	1,433	533
Other income, net	243	477
(Loss) income from continuing operations before equity in earnings of unconsolidated companies, (benefit) provision for income taxes and minority interest	(16,646)	13,781
Equity in earnings of unconsolidated companies	422	737
(Benefit) provision for income taxes (1)	(5,249)	5,057
Minority interest	(853)	(34)
Net (loss) income	(11,828)	9,427
Basic (loss) earnings per share:		
Weighted average common shares outstanding (2)	27,677	27,012
(Loss) earnings per share (1) (2):	\$ (0.43)	\$ 0.35
Diluted (loss) earnings per share:		
Weighted average common shares outstanding (2)	27,677	27,439
(Loss) earnings per share (1) (2):	\$ (0.43)	\$ 0.34

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(1) 1997 provision for income taxes and net income have been adjusted to reflect a tax provision of \$93 for companies which were previously S corporations.

(2) Amounts have been adjusted to reflect the three-for-two stock split effected on February 28, 1997 and shares issued in connection with two acquisitions accounted for under the pooling of interest method.

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

MASTEC, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 1998	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 103,794	\$ 6,063
Accounts receivable-net and unbilled revenue	358,511	346,596
Inventories	13,080	8,746
Other current assets	41,163	32,791
Total current assets	516,548	394,196
Property and equipment-at cost	153,545	129,968
Accumulated depreciation	(49,953)	(43,859)
Property and equipment-net	103,592	86,109
Investments in unconsolidated companies	49,394	48,160
Other assets	118,780	59,133
TOTAL ASSETS	\$ 788,314	\$ 587,598
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of debt	\$ 76,209	\$ 54,562
Accounts payable	161,754	166,843
Other current liabilities	67,089	49,043
Total current liabilities	305,052	270,448
Other liabilities	41,191	41,924
Long-term debt	270,164	94,495

Commitments and contingencies

Stockholders' equity:

Common stock	2,805	2,805
Capital surplus	100,388	99,235
Retained earnings	75,093	86,921
Accumulated translation adjustments	(3,078)	(3,466)
Treasury stock	(3,301)	(4,764)
	-----	-----
Total stockholders' equity	171,907	180,731
	-----	-----

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 788,314	\$ 587,598
	=====	=====

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

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MASTEC, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	----	----
	(Unaudited)	
Cash flows from operating activities:		
Net (loss) income	\$ (11,828)	\$ 9,520
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Minority interest	855	34
Depreciation and amortization	7,896	4,304
Equity in earnings of unconsolidated companies	(422)	(737)
Loss on sale of assets	104	187
Changes in assets and liabilities net of effect of acquisitions and divestitures:		
Accounts receivable-net and unbilled revenue	(761)	37,385
Inventories and other current assets	(2,314)	(973)
Other assets	(6,681)	(1,501)
Accounts payable and accrued expenses	(4,700)	(29,363)
Income taxes	6,662	(397)
Other current liabilities	2,038	710
Other liabilities	(7,218)	(294)
	-----	-----
Net cash (used in) provided by operating activities	(16,369)	18,875
	-----	-----
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash acquired	(44,605)	(3,934)
(Advances) repayment of notes receivable	(3,322)	26
Capital expenditures	(16,458)	(2,291)
Investment in unconsolidated companies	(1,346)	(3,797)
Proceeds from sale of assets	487	6,619
	-----	-----
Net cash used in investing activities	(65,244)	(3,377)
	-----	-----
Cash flows from financing activities:		
Proceeds from Revolver	78,786	19,280
Proceeds from Notes	199,724	0
Financing costs	(4,993)	0
Debt repayments	(95,722)	(43,239)
Net proceeds from common stock issued	1,586	3,173
Distributions by pooled companies	0	(260)
	-----	-----
Net cash provided by (used in) financing activities	179,381	(21,046)
	-----	-----
Net increase (decrease) in cash and cash equivalents	97,768	(5,548)
Effect of translation on cash	(37)	(269)
Cash and cash equivalents - beginning of period	6,063	10,989
	-----	-----
Cash and cash equivalents - end of period	\$103,794	\$ 5,172
	=====	=====

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

MASTEC, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In thousands)

Supplemental disclosure of non-cash investing and financing activities:

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
	----	----
	(Unaudited)	

Acquisitions:

Fair value of assets acquired:		
Accounts receivable	\$ 15,980	\$ 5,487
Inventories	2,175	193
Other current assets	1,905	77
Property	9,197	3,491
Other assets (1)	27,760	1,323
	-----	-----
Total non-cash assets	57,017	10,571
	-----	-----
Liabilities	18,378	3,626
Debt	6,954	3,246
	-----	-----
Total liabilities assumed	25,332	6,872
	-----	-----
Net non-cash assets acquired	31,685	3,699
Cash acquired	2,608	654
	-----	-----
Fair value of net assets acquired	34,293	4,353
Excess over fair value of assets acquired	21,549	6,174
	-----	-----
Purchase price	\$ 55,842	\$ 10,527
	=====	=====
Note payable issued in acquisitions	\$ 8,629	\$ 130
Cash paid and common stock issued for acquisitions	47,213	6,397
Contingent consideration	0	4,000
	-----	-----
Purchase price	\$ 55,842	\$ 10,527
	=====	=====
Property acquired through financing arrangements	\$ 0	\$ 413
	=====	=====

<FN>

In 1997, the Company issued approximately 172,982 shares of Common Stock for acquisitions. Common Stock was issued from treasury stock at a cost of approximately \$1.4 million.

(1) Includes net assets of two acquisitions made on March 31, 1998 totaling \$26.5 million.

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

1. CONSOLIDATION AND PRESENTATION

The accompanying unaudited condensed consolidated financial statements of MasTec, Inc. ("MasTec" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the audited financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1997. The year end condensed balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. The financial information furnished reflects all adjustments, consisting only of normal recurring accruals which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of operations are not necessarily indicative of future results of operations or financial position of MasTec.

2. COMPREHENSIVE INCOME

The Company has adopted the Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income", which establishes standards for the reporting and display of comprehensive income and its components in general purpose financial statements for the year ended December 31, 1998. The table below sets forth "comprehensive income" as defined by SFAS No. 130 for the three month period ended March 31:

	1998	1997 (1)
	-----	-----
Net (loss) income	\$ (11,828)	\$ 9,427
Other comprehensive income:		
Unrealized translation gain (loss)	388	(1,061)
	-----	-----
Comprehensive (loss) income	\$ (11,440)	\$ 8,366
	=====	=====

- (1) Net income for 1997 includes a pro forma tax adjustment for companies pooled in 1997 that were not subject to taxation.

3. ACQUISITIONS

During the quarter ended March 31, 1998, the Company completed certain acquisitions which have been accounted for under the purchase method of accounting and which results of operations have been included in the Company's condensed consolidated financial statements from the respective acquisition dates. If the acquisitions had been made at the beginning of 1998 or 1997, pro forma results of operations would not have differed materially from actual results. Acquisitions made in 1998 were M.E. Hunter, Inc. of Atlanta, Georgia, C & S Directional Boring, Inc. of Purcell, Oklahoma, Office Communications Systems, Inc. of Chino, California, and Phasecom Systems, Inc. of Toronto, Canada, four telecommunications infrastructure and utility contractors with operations primarily in the western and northern United States, as well as Canada. Also, on March 31, 1998, the Company closed on two acquisitions which are included in other assets pending the allocation of the purchase price of \$26.5 million. Additionally, CIDE Engenharia Ltda., a Brazilian telecommunications infrastructure contractor, was purchased on March 31, 1998. Subsequent to March 31, 1998, the Company completed two other acquisitions.

4. DEBT

Debt is comprised of the following (in thousands):

	March 31, 1998 -----	December 31, 1997 -----
Revolving Credit Facility, at LIBOR plus 1.00% (6.68% at March 31, 1998 and 6.96% at December 31, 1997)	\$ 58,500	\$ 83,010
Revolving Credit Facility, at MIBOR plus 0.30% (5.17% at March 31, 1998 and 5.60% at December 31, 1997 due on November 1, 1998)	15,486	10,894
Other bank facilities, denominated in Spanish pesetas, at interest rates from 4.89% to 6.75% at March 31, 1998 and 5.65% - 6.75% at December 31, 1997	22,311	17,438
Other bank facility at LIBOR plus 1.25% (6.93 at March 31, 1998)	5,000	0
Notes payable for equipment, at interest rates from 7.5% to 8.5% due in installments through the year 2000	7,000	14,500
Notes payable for acquisitions, at interest rates from 7% to 8% due in installments through February 2000	38,347	23,215
Senior subordinated notes, 7.75% due 2008	199,729	0
Total debt	346,373	149,057
Less current maturities	76,209	54,562
	-----	-----
Long term debt	\$ 270,164	\$ 94,495
	=====	=====

The Company has a \$125.0 million revolving credit facility (the "Credit Facility") from a group of financial institutions led by BankBoston, N.A. maturing on June 9, 2000. The Credit Facility is collateralized by the stock of the Company's principal domestic subsidiaries and a portion of the stock of Sintel, the Company's Spanish subsidiary.

Additionally, the Company has several credit facilities denominated in Spanish Pesetas, one of which is a revolving credit facility with a wholly-owned finance subsidiary of Telefonica de Espana, S.A. ("Telefonica"). Interest on this facility accrues at MIBOR (Madrid interbank offered rate) plus .30%. At March 31, 1998 and December 31, 1997, the Company had \$59.4 million (9.1 billion Pesetas) and \$50.6 million (7.7 billion Pesetas), respectively of debt denominated in Pesetas, including \$21.6 million and \$22.3 million, respectively, remaining under the acquisition debt incurred pursuant to the Sintel acquisition. The Company has paid a portion of the December 31, 1997 installment in connection with the acquisition debt, with the remaining amount to be paid pending resolution of the offsetting amounts between the Company and Telefonica.

On January 30, 1998, the Company sold \$200.0 million, 7.75% senior subordinated notes (the "Notes") due in 2008 with interest due semi-annually. The net proceeds were used to repay amounts outstanding under the Credit Facility and the remaining balance was used to purchase short-term investments.

The Credit Facility and Notes contain certain covenants which, among other things, restrict the payment of dividends, limit the Company's ability to incur additional debt, create liens, dispose of assets, merge or consolidate with another entity or make other investments or acquisitions, and provide that the Company must maintain minimum amounts of stockholders' equity and financial ratio coverages, requiring, among other things, minimum ratios at the end of each fiscal quarter of debt to earnings, earnings to interest expense and accounts receivable to trade payables. At March 31, 1998, the Company had violated one of the financial ratio covenants under the Credit Facility which has been waived by the lenders.

5. OPERATIONS BY GEOGRAPHIC AREAS

The Company's principal source of revenue is the provision of telecommunications infrastructure construction services in the United States, Spain and Brazil.

	1998	1997
	----	----
Revenue		
North American	\$ 110,402	\$ 82,581
Spain	45,943	55,709
Brazil	29,750	0
	-----	-----
Total	\$ 186,095	\$ 138,290
	=====	=====
Operating (loss) income		
North American	\$ (2,735)	\$ 10,343
Spain	(12,578)	5,361
Brazil	2,047	0
	-----	-----
Total	\$ (13,266)	\$ 15,704
	=====	=====
As of March 31,		
Identifiable assets		
North American	\$ 275,803	\$ 148,853
Spain	153,409	199,954
Brazil	106,204	0
Corporate	252,898	116,000
	-----	-----
Total	\$ 788,314	\$ 464,807
	=====	=====

There are no transfers between geographic areas. Operating (loss) income consists of revenue less operating expenses, and does not include interest expense, interest and other income, equity in earnings of unconsolidated companies, minority interest and income taxes. Domestic operating (loss) income is net of corporate general and administrative expenses. Identifiable assets of geographic areas are those assets used in the Company's operations in each area. Corporate assets include cash and cash equivalents, investments in unconsolidated companies, real estate held for sale and notes receivable.

6. SIGNIFICANT CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The Company derives a substantial portion of its revenue from the provision of telecommunications infrastructure services to Telefonica, Telecomunicacoes Brasileiras S.A. ("Telebras") and BellSouth Telecommunications Corp. ("BellSouth"). For the quarter ended March 31, 1998, approximately 23%, 16% and 10% of the Company's revenue was derived from services performed for Telefonica, BellSouth and Telebras, respectively. During the quarter ended March 31, 1997, the Company derived 36% and 12% of its revenue from Telefonica and BellSouth. Although the Company's strategic plan envisions diversification of its customer base, the Company anticipates that it will continue to derive a significant portion of its revenue in the future from these customers.

7. COMMITMENTS AND CONTINGENCIES

In December 1990, Albert H. Kahn, a stockholder of the Company, filed a purported class action and derivative suit in Delaware state court against the Company, the then-members of its Board of Directors, and National Beverage Corporation ("NBC"), the Company's then-largest stockholder. The complaint alleges, among other things, that the Company's Board of Directors and NBC breached their respective fiduciary duties in approving certain transactions.

In November 1993, Mr. Kahn filed a class action and derivative complaint against the Company, the then members of its Board of Directors, and Jorge L. Mas, Jorge Mas and Juan Carlos Mas, the principal shareholders of the Company. The 1993 lawsuit alleges, among other things, that the Company's Board of Directors and NBC breached their respective fiduciary duties by approving the terms of the acquisition of the Company by the Mas family, and that the Mas family had knowledge of the fiduciary duties owed by NBC and the Company's Board of Directors and knowingly and substantially participated in the breach of these duties. The lawsuit also claims derivatively that each member of the Company's Board of Directors engaged in mismanagement, waste and breach of fiduciary duties in managing the Company's affairs prior to the acquisition by the Mas Family.

There has been no activity in either of these lawsuits in more than a year. The Company believes that the allegations in each of the lawsuits are without merit and intends to defend these lawsuits vigorously.

In November 1997, Church & Tower filed a lawsuit against Miami-Dade County (the "County") in Florida state court alleging breach of contract and seeking damages exceeding \$3.0 million in connection with the County's refusal to pay amounts due to Church & Tower under a multi-year agreement to perform road restoration work for the Miami-Dade Water and Sewer Department ("MWSD"), a department of the County, and the County's wrongful termination of the agreement. The County has refused to pay amounts due to Church & Tower under the agreement until alleged overpayments under the agreement have been resolved, and has counterclaimed against the Company seeking damages that the Company believes will not exceed \$2.1 million. The County also has refused to award a new road restoration agreement for MWSD to Church & Tower, which was the low bidder for

the new agreement. The Company believes that any amounts due to the County under the existing agreement are not material and may be recoverable in whole or in part from Church & Tower subcontractors who actually performed the work and whose bills were submitted directly to the County.

The Company is a party to other pending legal proceedings arising in the normal course of business, none of which the Company believes is material to the Company's financial position or results of operations.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Certain statements in this Quarterly Report are forward-looking, such as statements regarding the Company's future growth and profitability. These forward looking statements are based on the Company's current expectations and are subject to a number of risks and uncertainties that could cause actual results in the future to significantly differ from results expressed or implied in any forward-looking statements included in this Quarterly Report. These risks and uncertainties include, but are not limited to, the Company's relationship with key customers, implementation of the Company's growth strategy, and seasonality. These and other risks are detailed in this Quarterly Report and in other documents filed by the Company with the Securities and Exchange Commission.

Overview

MasTec is one of the world's largest contractors specializing in the build-out of telecommunications and other utilities infrastructure. The Company's business consists of the design, installation and maintenance of the outside physical plant for telephone and cable television communications systems and of integrated voice, data and video local and wide area networks inside buildings, and the installation of central office telecommunications equipment. The Company also provides infrastructure construction services to the electric power industry and other public utilities.

During the quarter ended March 31, 1998, the Company's North American operations were affected by severe weather conditions in numerous regions as a result of the climatic condition known as El Nino. These weather conditions resulted in numerous delays in completing scheduled work and required the utilization of additional or more expensive crews and equipment to accomplish the work. Because of the current labor shortage in many of the regions in which the Company operates and to meet customer demand, the Company chose to continue working as much as possible despite the bad weather and to retain idle or underutilized employees rather than lay them off as is customary during slow periods. This decision resulted in significantly reduced productivity in many of the Company's domestic operations. The Company expects productivity to improve in the second quarter.

In March 1998, Sintel entered into an agreement with its unions to resolve its pending labor dispute. Under the agreement, the Company is entitled to permanently reduce its workforce, beginning with the placement of 209 employees on temporary unemployment partly paid by the Spanish government for up to six months. Additional voluntary terminations and the results of certain agreed upon restructuring measures will allow the Company to quantify final severance arrangements over that period. In addition, the agreement calls for reductions in certain non-wage compensation and increases in productivity benchmarks. The agreement also contemplates an increase in base wage rates for remaining union workers. As a result of the agreement reached, the Company recorded a severance charge related to operational personnel and administrative personnel of \$ 1.9 million and \$11.5 million, respectively. The total charge of \$13.4 million negatively impacted the Company's operating margins in the first quarter of 1998. While management anticipates a reduction in ongoing operating costs to result from these measures, the Company recognizes that it services an increasingly competitive telephony industry in the Spanish market and a substantial portion of any savings may be offset by more competitive prices to Telefonica and other communication service customers.

Results of Operations

Revenue is generated primarily from telecommunications and other utilities infrastructure services. Infrastructure services are provided to telephone companies, public utilities, cable television operators, other telecommunications providers, governmental agencies and private businesses. Costs of revenue includes subcontractor costs and expenses, materials not supplied by the customer, fuel, equipment rental, insurance, operations payroll and employee benefits. General and administrative expenses include management salaries and benefits, rent, travel, telephone and utilities, professional fees and clerical and administrative overhead.

Three Months Ended March 31, 1998 compared to Three Months Ended March 31, 1997

The following table sets forth certain historical consolidated financial data as a percentage of revenue for the three months ended March 31, 1998 and 1997.

	----	----
Revenue	100.0%	100.0%
Costs of revenue	82.2%	71.8%
Depreciation and amortization	4.2%	3.1%
General and administrative expenses	20.7%	13.7%
Operating margin	(7.1)%	11.4%
Interest expense	2.7%	2.1%
Interest and dividend income and other income, net, equity in unconsolidated companies and minority interest	0.7%	1.3%
(Loss) income from continuing operations before provision for income taxes	(9.1)%	10.5%
Provision for income taxes (1)	(2.8)%	3.6%
(Loss) income from continuing operations (1)	(6.3)%	6.9%

<FN>

(1) Provision for income taxes and income from continuing operations has been adjusted to reflect a tax provision for companies that were S corporations.

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Revenue from North American operations increased \$27.8 million, or 33.7%, to \$110.4 million in 1998 as compared to \$82.6 million in 1997. North American revenue growth was primarily generated by acquisitions completed in the latter part of 1997. Revenue generated by international operations increased \$20.0 million, or 35.9%, to \$75.7 million in 1998 as compared to \$55.7 million in 1997 due primarily to the inclusion of the Company's Brazilian operations which totaled \$29.8 million in 1998 results. The Company's Spanish revenue was negatively impacted in 1998 by a management decision to reduce the volume of work pending the resolution of the labor dispute. See Overview.

Gross profit (revenue less cost of revenue), excluding depreciation and amortization, decreased \$5.9 million, or 15.1%, to \$33.1 million, or 17.8% of revenue in 1998 as compared to \$39.0 million, or 28.2% of revenue in 1997. The decrease in gross profit as a percentage of revenue was due primarily to lower productivity generated by North American operations resulting from lower productivity due to severe weather conditions experienced in numerous regions coupled with a \$1.9 million severance charge recorded by the Spanish operations as a result of the agreement reached with the union in March 1998. See "Management's Discussion and Analysis of Results of Operations and Financial Condition - Overview. North American gross margins (gross profit as a percentage of revenue) decreased to 18.3% in 1998 from 27.9% in 1997 primarily due to inefficiencies resulting from severe weather conditions and the performance of certain higher margin domestic jobs during 1997. International gross margins decreased to 17.0% in 1998 as compared to 28.8% in 1997 primarily due to the severance charge recorded by Spanish operation coupled with lower margins from the Company's newly formed Brazilian operations (16.0%).

Depreciation and amortization increased \$3.6 million, or 83.7%, to \$7.9 million in 1998 from \$4.3 million in 1997. The increase in depreciation and amortization was a result of increased capital expenditures in the latter part of 1997 and the first quarter of 1998, as well as depreciation and amortization associated with acquisitions. As a percentage of revenue, depreciation and amortization was 4.2% and 3.1% of revenue for 1998 and 1997, respectively.

General and administrative expenses increased \$19.5 million, or 102.6%, to \$38.5 million, or 20.7% of revenue for 1998 from \$19.0 million, or 13.7% of revenue for 1997. The increase is primarily due to the severance charge recorded by the Company's Spanish operations and charges related to the realignment of the Company's North American operations into product lines. North American general and administrative expenses were \$16.0 million, or 14.5% of domestic revenue in 1998, compared to \$9.1 million, or 11.0% of domestic revenue for 1997. The increase in dollar amount of domestic general and administrative expenses is due primarily to acquisitions and charges related to the integration of the acquisitions, system conversions and consolidation of operating units into product lines. The decline as a percentage of domestic revenue is due primarily to the higher revenue volume. International general and administrative expenses increased \$12.6 million, or 127.3%, to \$22.5 million, or 30.0% of international revenue in 1998 from \$9.9 million, or 17.9% of international revenue for 1997. The increase in international general and administrative expenses was primarily due to a severance charge of \$11.5 million recorded by the Company's Spanish operations as a result of the agreement reached with the union to reduce administrative personnel in excess of 200 people. Also affecting the level of international general and administrative expenses were expenses incurred by the Company's Brazilian operation of approximately \$2.4 million. The Company did not operate in Brazil until August 1997.

The Company experienced an operating loss for the three months ended March 31, 1998 of \$13.3 million. Absent the severance charges and other charges incurred by its North American operations as a result of its realignment into product lines and integration of acquisitions, the Company would have generated \$4.3 million of operating profit or 2.3% of revenue for 1998 compared to \$15.7 million or 11.4% of revenue for 1997. Favorably impacting 1997 operating income were short-term projects with attractive pricing and terms.

Interest expense increased \$ 2.2 million or 75.9%, to \$5.1 million for 1998 from \$2.9 in 1997 primarily due to the Company's \$200.0 million bond offering completed in February 1998. Offsetting the increase was lower interest rates on Spanish borrowings. See "Financial Condition, Liquidity and Capital Resources."

Interest income and other income, net equity in unconsolidated companies and minority interest remained basically unchanged in the aggregate when compared to the 1997 period, however interest income increased

significantly due to temporary short-term investments offset by an increase in minority interest attributable to the Company's Brazilian operations.

Benefit from income taxes was \$5.3 million, or 31.3% of income from continuing operations before equity in earnings of unconsolidated companies, taxes and minority interests in 1998, compared to a pro forma provision of \$5.1 million, or 37.0% of income from continuing operations before equity in earnings of unconsolidated companies, taxes and minority interests in 1997. The decline in the effective tax rate was primarily due to the severance charge recorded by the Spanish operations which have a lower effective tax rate.

Financial Condition, Liquidity and Capital Resources

The Company's primary liquidity needs are for working capital, to finance acquisitions and capital expenditures and to service the Company's indebtedness. The Company's primary sources of liquidity have been cash flow from operations, borrowings under revolving lines of credit and the proceeds from the sale of investments and non-core assets.

Net cash used in operating activities for the 1998 period was \$16.4 million, compared to cash provided of \$18.9 million in the 1997 period. This decrease was due to a breakeven result for 1998 absent charges previously discussed, fluctuations in working capital, particularly a reduction of accounts payable balances companywide and an increase in accounts receivable and unbilled revenue from Brazilian operations.

The Company invested cash, net of cash acquired, in acquisitions and investments in unconsolidated companies totaling \$44.6 million during 1998 compared to \$3.9 million in 1997. During 1998, the Company made capital expenditures of \$16.5 million, primarily for machinery and equipment used in the production of revenue, compared to \$2.3 million in 1997.

As of March 31, 1998, working capital totaled \$211.5 million, compared to working capital of \$123.7 million at December 31, 1997. Included in working capital at March 31, 1998 were temporary investments of approximately \$72.0 million.

The Company continues to pursue a strategy of growth through acquisitions and internal expansion. Late in the first quarter of 1998, the Company completed seven acquisitions for \$47.2 million in cash and seller financing of \$8.6 million. The Company believes that cash generated from operations, borrowings under its \$125.0 million revolving credit facility with a syndicate of banks led by BankBoston, N.A. (the "Credit Facility"), and proceeds from the sale of investments and non-core assets will be sufficient to finance these payments, as well as the Company's working capital needs, capital expenditures and debt service obligations for the foreseeable future. Future acquisitions are expected to be financed from these sources, as well as other external financing sources to the extent necessary, including the additional borrowings.

In February 1998, the Company issued \$200.0 million principal amount of 7.75% Senior Subordinated Notes (the "Notes") due 2008 with interest due semi-annually. The Credit Facility and the Notes contain certain covenants which, among other things, restrict the payment of dividends, limit the Company's ability to incur additional debt, create liens, dispose of assets, merge or consolidate with another entity or make other investments or acquisitions, and provide that the Company must maintain minimum amounts of stockholders' equity and financial ratio coverages, requiring, among other things, minimum ratios at the end of each fiscal quarter of debt to earnings, earnings to interest expense and accounts receivable to trade payables. See Note 4 of Notes to Consolidated Financial Statements.

The Company conducts business in several foreign currencies that are subject to fluctuations in the exchange rate relative to the U.S. dollar. The Company does not enter into foreign exchange contracts. It is the Company's intent to utilize foreign earnings in the foreign operations for an indefinite period of time. In addition, the Company's results of operations from foreign activities are translated into U.S. dollars at the average prevailing rates of exchange during the period reported, which average rates may differ from the actual rates of exchange in effect at the time of the actual conversion into U.S. dollars.

The Company's current and future operations and investments in certain foreign countries are generally subject to the risks of political, economic or social instability, including the possibility of expropriation, confiscatory taxation, hyper-inflation or other adverse regulatory or legislative developments, or limitations on the repatriation of investment income, capital and other assets. The Company cannot predict whether any of such factors will occur in the future or the extent to which such factors would have a material adverse effect on the Company's international operations.

Year 2000

Management continues to assess the impact of the year 2000 on the Company's operations and is working with the appropriate application vendors and consultants to formulate and implement the most cost-effective approach to resolving this issue.

Item 1. Legal Proceedings.

See Note 7 to the Condensed Consolidated Financial Statements.

Item 2. Changes in Securities.

None.

Item 3. Defaults upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit 27.1 Article 5 - Financial Data Schedules.

(b) On January 20, 1998, the Company filed a Form 8-K Current Report with the Securities and Exchange Commission reporting information under Item 5 thereof regarding the appointment of Henry N. Adorno as the Company's Executive Vice President and special Counsel; Juan Antonio Casanova as Chief Executive of Sintel; Joel-Tomas Citron as a new member of the Board of Directors and the election by members of the Board of Directors of Jorge Mas, President and Chief Executive Officer, to the position of Chairman of the Board. The Company also announced the relocation of Ubiratan Rezende, Senior Vice President of International Operations, to Brazil to spearhead corporate development for the Company in the region. Additionally, the Company announced the acquisition of Weeks Construction Company and M.E. Hunter, as well as its intent to issue \$150 million in senior subordinated notes due in 2008.

(c) On February 2, 1998, the Company filed a Form 8-K Current Report with the Securities and Exchange Commission reporting information under Item 5 thereof regarding the agreement reached with the unions representing its Spanish workforce.

(d) On February 20, 1998, the Company filed a Form 8-K Current Report with the Securities and Exchange Commission reporting information under Item 5 thereof regarding the sale of \$200 million in senior subordinated notes due in 2008 with a coupon rate of 7 3/4 percent. In addition, the Company announced the acquisition of Phasecom Systems, Inc. of Toronto, Canada.

(e) On April 27, 1998, the Company filed a Form 8-K Current Report with the Securities and Exchange Commission reporting information under Item 5 thereof announcing it had obtained a license in Paraguay to construct and operate a personal communication system (PCS) with national coverage. The Company also announced approval by the Board of Directors of a stock repurchase program. Additionally, the Company announced the appointment of Julio G. Rebull, Jr. to the newly created position of Senior Vice President of Marketing and Corporate Communications.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MasTec, Inc.

Registrant

Date: May 15, 1998

/s/ Edwin D. Johnson

Edwin D. Johnson
Senior Vice President-
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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