

1999
Annual
Report

Michael Baker Corporation

Baker



Michael Baker Corporation subsidiaries provide engineering, construction management and operations and maintenance services worldwide. Baker is based near Pittsburgh, PA, and its 3,900 employees are located in offices throughout the United States and internationally.

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Note with respect to Forward Looking Statements:

This Annual Report, and in particular the Message to Shareholders and Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward looking statements concerning future operations and performance of the Company. Forward looking statements are subject to market, operating and economic risks and uncertainties that may cause the Company's actual results in future periods to be materially different from any future performance suggested herein. Factors that may cause such differences include, among others: increased competition, increased costs, changes in general market conditions, changes in anticipated levels of government spending on infrastructure, and changes in loan relationships or sources of financing. Such forward looking statements are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Financial Summary

	1999	1998	1997
<i>Amounts in thousands, except per share information</i>			
Total Contract Revenues	\$506,012	\$521,271	\$446,432
Net Income / (Loss)	(8,164)	(2,419)	4,953
Diluted Net Income / (Loss) per Common Share	(1.00)	(0.30)	0.60
Shareholders' Investment	44,799	52,862	55,862
Market Capitalization	54,202	79,618	80,180
Funded Backlog at Year End	365,300	447,600	393,200
Total Backlog at Year End	\$657,300	\$735,300	\$648,700

Financial Summary - Continuing Businesses*

	1999	1998	1997
<i>Amounts in thousands</i>			
Total Contract Revenues	\$336,168	\$308,876	\$269,554
Income from Operations	13,776	12,367	6,913
Funded Backlog at Year End	316,400	299,600	252,200
Total Backlog at Year End	\$608,400	\$587,200	\$507,800

* Excludes Construction Businesses which were discontinued during 1999.

Message to Shareholders

For the Corporation, 1999 was a tumultuous year.

When the year ended, I had been in the CEO role for just under four months. It has been a period of surprises and disappointments. But more importantly, it has been a vivid reminder of the contribution of more than 3,900 Baker employees scattered throughout the world who are totally committed to providing our growing list of clients with a quality service.



Donald P. Fusilli and Richard L. Shaw

Through our quarterly announcements and news releases we have kept you fully informed of the problems growing out of our construction business. While there is no need to dwell further on these issues, I feel compelled to express my thanks and appreciation to the good people of our Baker Mellon Stuart buildings construction business who, at the project level, performed admirably during the wind down of that business under very, very difficult circumstances.

But that's history. We have closed down our buildings construction business. We have now sold our Heavy and Highway transportation construction business, too. And we have taken a number of other steps to reduce our overhead costs and focus on our profitable businesses – those that we have demonstrated an ability to manage successfully. Our ongoing businesses – buildings engineering, civil and transportation engineering, Baker Energy, Baker Environmental and Baker Support Services – are performing well. Their backlog of work to be performed is at significantly high levels and the outlook for the year 2000 and beyond is extremely positive. Our balance sheet continues to be strong and our billings and collections good.

In my 48 years with Baker, I've never seen the engineering business better!

I am pleased that the Board of Directors has selected Donald P. Fusilli, Jr., president of Baker Energy, to be President and Chief Operating Officer of the Corporation. A 27-year veteran of Baker, an engineer and an attorney, Don has done an excellent job with Energy over the past six years, and I feel confident he will do the same for the parent company.

At age 72, I am clearly not the person to lead the company into the 21st Century. I can assure you, however, that the changes we have initiated will position us to go forward as a much stronger, more focused organization concerned about our shareholders – both public and employee.

Thank you for your patience and understanding.

Sincerely,
Richard L. Shaw
Chairman and Chief Executive Officer

Business Highlights



Baker's transportation engineering continues to benefit from the TEA-21 legislation. The unit ended 1999 with a record backlog of work to be performed, including the design of the long-span Blennerhassett Island Bridge, which crosses the Ohio River between West Virginia and Ohio.

Baker was selected to be the architect and engineer for an Airside Business Park on 26 acres adjacent to the Pittsburgh International Airport. Included in the complex are three flex buildings, two office buildings, a new aviation center and cargo facilities.



The acquisition of Steen Production Service, Inc., during 1999 enhanced Baker Energy's client base and geographic presence in the Gulf of Mexico. It also expanded Baker's position in the high-growth deepwater sector and provided access to the inland waters market of the Gulf.

Baker Environmental assisted Bayer Corporation with the decommissioning and demolition of its citric acid plant manufacturing facilities and other research lab buildings in 1999. This multimillion dollar contract represented one of the largest demolition projects in the Midwest at the time it was conducted.



Baker is a finalist for the American Society of Civil Engineers 2000 Outstanding Civil Engineering Achievement Award for pioneering horizontal directional drilling under a permafrost-bound river on Alaska's North Slope. The 4,300-foot crossing under the Colville River balanced the environmental, regulatory, cultural and oil interests of the area.

Board of Directors

Richard L. Shaw

Chairman and Chief Executive Officer, Michael Baker Corporation {1966}. Dick has served with Baker in various capacities for more than 48 years.① ④

Robert N. Bontempo, Ph.D.

Associate Professor of International Business, Columbia University Graduate School of Business {1997}. Bob joined Columbia in 1989 as assistant professor and was named associate professor in 1994.② ④

Nicholas P. Constantakis, CPA

Retired Partner, Andersen Worldwide SC {1999}. Nick spent more than 36 years with Andersen, including 25 as a Partner, working with clients in an array of industries including engineering, investment company, manufacturing and health care.②

William J. Copeland

Retired Vice Chairman, PNC Financial Corporation {1983}. Bill was with Pittsburgh National Bank for more than 30 years, including 11 years as Vice Chairman. He served as Baker's Chairman from 1984 until 1992.①

Roy V. Gavert, Jr.

Retired Executive Vice President, Westinghouse Electric Corporation {1988}. Roy spent 34 years with Westinghouse, including 20 in executive management positions.① ②

Thomas D. Larson, Ph.D., P.E.

Former Administrator, Federal Highway Administration {1993}. Tom led the Federal Highway Administration for four years and was Secretary of Transportation in Pennsylvania for eight years.③

John E. Murray, Jr., S.J.D.

President of Duquesne University {1997}. John formerly served as Distinguished Service Professor at the University of Pittsburgh and Dean of the Villanova University School of Law. He was named President of Duquesne in 1998.① ③ ④

Konrad M. Weis, Ph.D.

Retired President and Chief Executive Officer, Bayer USA, Inc. {1991}. Konrad spent more than 35 years with Bayer and its predecessor company, including 17 as President and CEO.② ③

① Executive Committee
② Audit Committee
③ Compensation Committee
④ Governance Committee
{19--} Board Membership Date

Selected Financial Data

	1999	1998	1997	1996	1995
<i>In thousands, except per share information</i>					
Results of Operations					
Total contract revenues	\$ 506,012	\$ 521,271	\$ 446,432	\$ 418,388	\$ 354,728
Operating income/(loss)	(8,175)	(1,667)	8,020	7,663	5,180
Net income/(loss)	(8,164)	(2,419)	4,953	4,180	2,900
Diluted net income/(loss) per share	\$ (1.00)	\$ (0.30)	\$ 0.60	\$ 0.50	\$ 0.35
Return on average equity	(16.7)%	(4.4)%	9.3 %	8.5 %	6.3 %
Financial Condition					
Total assets	\$ 149,191	\$ 151,861	\$ 144,425	\$ 126,082	\$ 117,376
Working capital	\$ 26,073	\$ 31,855	\$ 36,220	\$ 27,417	\$ 25,186
Current ratio	1.31	1.36	1.41	1.36	1.36
Long-term debt	\$ 14,867	\$ 3,138	\$ -	\$ -	\$ -
Shareholders' investment	44,799	52,862	55,862	50,752	47,631
Book value per outstanding share	5.48	6.47	6.79	6.19	5.70
Year-end closing share price	\$ 6.63	\$ 9.75	\$ 9.75	\$ 6.38	\$ 5.00
Cash Flow					
Cash provided by/(used in) operating activities	\$ 1,143	\$ (1,379)	\$ 7,803	\$ 1,167	\$ 15,539
Cash used in investing activities	(10,255)	(11,416)	(2,533)	(3,739)	(2,294)
Cash provided by/(used in) financing activities	7,783	1,935	124	(1,251)	(2,547)
Increase/(decrease) in cash	\$ (1,329)	\$ (10,860)	\$ 5,394	\$ (3,823)	\$ 10,698
Backlog					
Funded	\$ 365,300	\$ 447,600	\$ 393,200	\$ 332,800	\$ 299,900
<i>Total</i>	\$ 657,300	\$ 735,300	\$ 648,700	\$ 543,700	\$ 507,800
Share Information					
Year-end shares outstanding	8,181	8,166	8,224	8,197	8,364
Average diluted shares outstanding during year	8,175	8,178	8,299	8,383	8,368

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

As discussed more fully in Note 2 to the consolidated financial statements, during the first quarter of 1999, the Company determined that it would no longer participate in general construction projects for buildings or transportation infrastructure. Accordingly, the Company's Buildings unit was restructured, and the Company recorded related charges in the amount of \$0.8 million during the first quarter of 1999. During the third and fourth quarters of 1999, the Company recorded additional charges totaling \$21.1 million associated with construction projects in its Buildings and Transportation units. Of this amount, approximately \$5.9 million relates to obligations determined during the third quarter of 1999 to certain subcontractors and vendors associated with a construction project for Universal City Development Partners ("UCDP") at the Universal Studios theme park in Orlando, Fla.; another \$2.4 million relates to the March 2000 conditional settlement of litigation related to the UCDP project, the effects of which were recorded during the fourth quarter of 1999; and the remaining \$12.8 million resulted from changes in cost estimates on several Transportation-Construction (heavy and highway) projects during the year. In connection with the Company's sale of certain assets held by its heavy and highway division, additional charges totaling \$1.9 million were recorded during the fourth quarter of 1999. As a result of this sale, the Company remains responsible for only five significant general construction projects, all of which are scheduled to be completed by the end of the third quarter of 2000. Other 1999 charges of \$3.2 million comprised adjustments on engineering projects, the writeoff of certain intangible assets and severance costs.

Total Contract Revenues

Total contract revenues decreased to \$506 million in 1999 from \$521 million in 1998. The most significant 1999 fluctuations were registered in the form of increases for the Transportation and Energy units of \$74 million and \$13 million, respectively, and a decrease of \$98 million in the Buildings unit. The Transportation unit posted significant revenue improvements in both its engineering and construction divisions as a direct result of state transportation funding increases associated with the U.S. government's 1998 federal transportation (TEA-21)

legislation. Several new contracts to provide offshore operations and maintenance ("O&M") services, as well as revenue increases on existing contracts, accounted for the increase in the Energy unit. The substantial decrease in the Buildings unit's revenues is directly attributable to the unit's restructuring and its discontinuance of general construction services during 1999.

For 1998, total contract revenues increased from \$446 million in 1997. All of the Company's business units posted revenue improvements for 1998. The Buildings, Transportation, Energy and Civil units recorded the largest revenue increases of \$25 million, \$22 million, \$14 million and \$13 million, respectively. In the Buildings unit, the UCDP project accounted for \$60 million of revenues in 1998 versus only \$17 million in 1997. Nearly equal revenue growth in each of the engineering and construction divisions contributed to the Transportation unit's improvement. International growth, including that from a new consolidated joint venture which provides O&M services to BP Amoco in Venezuela, caused the increase in the Energy unit. The Civil unit's improvement principally resulted from higher revenues on new O&M contracts in its Baker Support Services, Inc. ("BSSI") division.

Gross Profit

Gross profit decreased to \$40.7 million in 1999 from \$47.2 million in 1998. As a percentage of total contract revenues, gross profit declined to 8.1% from 9.1% in 1998. During 1999 and 1998, project charges totaling \$22.6 million and \$13.7 million, respectively, reduced the Company's gross profit. The 1999 project charges primarily affected the Buildings and Transportation-Construction segments in amounts of \$8.8 million and \$12.8 million, respectively, while the 1998 charges were entirely recorded on construction projects in the Buildings unit. The gross profit percentage increased in the Civil and Buildings units for 1999, with decreases in the other units. In the Company's Civil unit, the BSSI division posted both dollar and percentage improvements in gross profit due to an overall change in its mix of projects following the completion of its then most significant contract in 1998. Excluding the previously mentioned 1999 and 1998 project charges, the Buildings unit's profit percentage still would have improved for 1999 due to closer management of its construction

Management's Discussion and Analysis of Financial Condition and Results of Operations

projects as they were being completed during 1999. Despite significant revenue growth which improved the gross profit in dollars for the Transportation unit's engineering division, the unit's overall results suffered due to the aforementioned 1999 construction project charges. The Energy unit's decrease in its gross profit percentage for 1999 was impacted by nonrecurring project-related difficulties during the second quarter of 1999. The Environmental unit's gross profit percentage was lower for 1999 due to a change in its mix of contracts.

For 1998, gross profit decreased from \$51.9 million in 1997. As a percentage of total contract revenues, gross profit declined in 1998 from 11.6% in 1997. Both overall decreases are directly attributable to the aforementioned 1998 construction project charges. The gross profit percentage increased in 1998 for all of the Company's business units except for the Civil unit, which remained relatively flat, and the Buildings unit. The Energy and Transportation units registered the most significant overall improvements in 1998. The Energy unit's international growth, particularly in Venezuela, raised its gross profit percentage. Both the engineering and construction operations in the Transportation unit contributed to its improvement, with the engineering side providing the greater increase due to higher profitability from several new projects on which work commenced during 1998. After excluding the aforementioned 1998 construction losses, the Buildings unit's gross profit percentage still would have been lower for 1998 as the result of its completion of certain more profitable construction projects in late 1997 and early 1998.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses remained constant at \$48.9 million in 1999 and 1998. Expressed as a percentage of total contract revenues, SG&A expenses increased slightly to 9.7% in 1999 from 9.4% in 1998. The Company's 1999 charges discussed in Note 2 to the consolidated financial statements had the effect of increasing SG&A expenses by \$4.4 million for 1999. Excluding these charges, the 1999 SG&A percentage would have been 8.8% due to lower employee and office lease costs following the Company's first quarter 1999 restructuring and certain officer and employee terminations which occurred during the year.

SG&A expenses increased in 1998 from \$43.9 million in 1997. The 1998 increase principally reflected an investment in technological support costs, costs of entry into new transportation markets, additional support costs related to the Energy unit's consolidated joint venture in Venezuela, and higher international marketing costs. Expressed as a percentage of total contract revenues, SG&A expenses decreased slightly in 1998 from 9.8% in 1997.

Other Income and Expense

Interest income decreased to \$155,000 in 1999 from \$439,000 in 1998, due to a combination of the Company being in a net borrowed position throughout the majority of 1999 and slightly lower interest rates in 1999. Despite the lower interest rates in 1999, interest expense increased to \$948,000 in 1999 from \$145,000 in 1998 due to higher borrowings under the Company's credit agreement with Mellon Bank N.A. ("Mellon"), some of which borrowings were used for the purchase of Steen Production Service, Inc. ("Steen") during the third quarter of 1999. Additional 1999 interest expense also resulted from notes payable due to the former shareholders of Steen and higher 1999 interest expense associated with certain heavy and highway construction equipment that was financed during the second half of 1998. Other expense was \$273,000 in 1999 versus other income of \$42,000 in 1998, primarily due to lower 1999 profitability associated with unconsolidated joint ventures and higher 1999 expense associated with a minority interest in the income of a consolidated Energy unit joint venture.

Interest income decreased in 1998 from \$552,000 in 1997, due to the combination of a lower daily average investment amount and slightly lower interest rates in 1998. Other income decreased in 1998 from \$811,000 in 1997, primarily due to 1998 expense related to the minority interest in the income of a consolidated Energy unit joint venture and 1997 gains realized on the sales of certain investments. Interest expense increased in 1998 from \$39,000 in 1997 as the result of the aforementioned 1998 financing of certain heavy and highway construction equipment.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Income Taxes

The Company's 1999 benefit from income taxes resulted in an effective tax benefit rate of 12% in 1999, compared to provisions for income taxes that resulted in effective tax rates of (82)% in 1998 and 47% in 1997. The difference between these percentages and the 34% statutory U.S. federal rate is attributable primarily to state and foreign income taxes and foreign withholding taxes. The minimal income tax benefit for 1999 and the income tax expense for 1998 result from the effects of certain foreign and state taxes that cannot be offset against tax benefits derived from other jurisdictions.

Contract Backlog

The Company's funded backlog, which consists of that portion of uncompleted work represented by signed contracts and for which the procuring agency has appropriated and allocated the funds to pay for the work, was \$365 million at December 31, 1999, a decrease from \$448 million at the end of 1998. Total backlog, which incrementally includes that portion of contract value for which options are still to be exercised (unfunded backlog), was \$657 million at the end of 1999 versus \$735 million at the end of 1998. The overall 1999 decreases in funded and total backlog are principally attributable to the previously discussed wind-down of the Company's two construction divisions, which thereby caused funded and total backlog reductions in the Buildings and Transportation units for 1999. The most significant 1999 increases in funded and total backlog were registered in the Company's Civil-BSSI and Transportation-Engineering segments.

With reference to the Company's 1999 restructuring, funded backlog related to the business that will be continued by the Company was \$316 million and \$300 million, and total backlog was \$608 million and \$587 million, as of year-end 1999 and 1998, respectively.

Liquidity and Capital Resources

Net cash provided by operating activities was \$1.1 million in 1999, compared to net cash used in operating activities of \$1.4 million in 1998 and net cash provided by operating activities of \$7.8 million in 1997. The 1999 cash improvement resulted primarily from net reductions in receivables and other contract-related

assets associated with the wind-down of the Company's construction operations. The decrease for 1998 was primarily related to the Company's 1998 net loss, while the 1997 improvement was mainly attributed to a combination of the Company's higher net income and the collection of retention amounts totaling \$3.0 million on a significant construction project.

Net cash used in investing activities was \$10.3 million in 1999, \$11.4 million in 1998 and \$2.5 million in 1997. Although the 1997 amount solely comprises capital expenditures, the 1999 and 1998 amounts also include \$4.9 million and \$0.8 million, respectively, that was paid relative to the acquisition of new subsidiaries (as discussed in Notes 3 and 13 to the consolidated financial statements). The Company's capital expenditures included computer equipment and software purchases totaling \$2.8 million in 1999, compared with \$3.9 million in 1998 and \$1.4 million in 1997. During 1997, the Company acquired most of its computer equipment under operating leases, but converted to the purchase of computer equipment for economic reasons in 1998. An additional \$3.5 million of the overall 1999 decrease and the 1998 increase is attributable to the purchase of heavy and highway construction equipment needed for new projects added during 1998.

Net cash provided by financing activities was \$7.8 million in 1999, compared to \$1.9 million in 1998 and \$0.1 million in 1997. Of the Company's 1999 proceeds from long-term debt, \$10.1 million represents borrowings against its credit agreement with Mellon, while the 1998 proceeds related entirely to the aforementioned purchase of heavy and highway construction equipment. The 1999 and 1998 repayments of long-term debt correlate to both the financed construction equipment and the acquisitions of new subsidiaries. In 1998, the Company also paid \$0.8 million to acquire 96,379 treasury shares under a stock repurchase program.

Working capital decreased to \$26.1 million at December 31, 1999 from \$31.9 million at December 31, 1998. The Company's current ratios were 1.31:1 and 1.36:1 at the end of 1999 and 1998, respectively. Both the working capital and current ratio at year-end 1999 were primarily impacted by the effects of the construction-related charges discussed in Note 2 to the consolidated financial statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

In 1998, the Company extended the term of its credit agreement with Mellon through May 31, 2001. This agreement provides for a commitment of \$25 million, which covers borrowings and letters of credit. As of December 31, 1999, borrowings totaling \$10.1 million were outstanding under the agreement, along with outstanding letters of credit totaling \$2.3 million. As disclosed in Note 8 to the consolidated financial statements, the agreement was unsecured through December 1999, at which time Mellon acted to secure the agreement as a result of the Company's third quarter 1999 charges and its related financial covenant violations. Accordingly, borrowings under the agreement are currently secured by the receivables and stock of the Company and most of its subsidiaries. These financial covenants were again not achieved for the fourth quarter of 1999. Mellon has waived through the end of the first quarter of 2000, its rights related to certain fourth quarter 1999 loan covenant violations. The Company and Mellon have agreed on certain amendments to the related loan covenants, such that the Company believes it will be able to achieve the amended covenants during 2000. These amendments also included a provision that borrowings under the agreement shall be limited to 80% of eligible receivables, as determined by Mellon. Management believes that the credit agreement will be adequate to meet its borrowing and letter of credit requirements for at least the next year.

Short- and long-term liquidity is further dependent upon appropriations of public funds for infrastructure and other government-funded projects, capital spending levels in the private sector, and the demand for the Company's services in the oil and gas markets.

Additional external factors such as price fluctuations in the energy industry could affect the Company. The current TEA-21 legislation will provide significant increases in funding for transportation infrastructure projects in 2000 and beyond. At this time, management believes that its funds generated from operations and its existing credit facility will be sufficient to meet its operating and capital expenditure requirements for at least the next year.

The Company has historically been required to provide bid and performance bonding on certain construction contracts, and has a \$500 million bonding line available through Travelers Casualty & Surety Company of America. As a result of its 1999 restructuring, the

Company will become increasingly less reliant on its bonding line during 2000. Accordingly, management believes that its bonding line will be sufficient to meet its bid and performance needs for at least the next year.

Year 2000 Compliance

In early January 2000, the Company successfully completed its assessment process relative to the arrival of the 21st Century. As a result of management's effort to identify and resolve in advance any potential issues that could have been expected to arise coincident with the changeover to the year 2000, the Company has experienced no significant Year 2000 problems with its information technology systems since December 31, 1999. Year 2000 compliance was primarily achieved through the normal and recurring process of system upgrades, the software costs of which were covered under related maintenance agreements. Accordingly, the incremental costs associated with Year 2000 compliance were not material to the Company's consolidated results of operations or its financial position.

Management previously believed that its "most reasonably likely worst case Year 2000 scenario" posed the potential for payment delays from some customers, including agencies of the U.S. federal government, due to their possible lack of readiness for the new century. No such payment delays have significantly impacted the Company's cash flow since December 31, 1999.

The Company considers its own Year 2000 compliance process completed; however, the impact of Year 2000 issues on the Company will continue to depend on how related issues have been addressed by third parties that provide services to the Company. To date, the Company has not been adversely impacted to any significant extent by the failure of third parties to address Year 2000 issues. The Company has developed contingency plans to address risks associated with Year 2000 issues that may arise. There can be no assurance that these plans will fully mitigate any problems that may arise in the future.

The foregoing Year 2000 discussions constitute a Year 2000 Readiness Disclosure within the meaning of the Year 2000 Readiness and Disclosure Act of 1998.

Consolidated Statements of Income

For the years ended December 31,

	1999	1998	1997
<i>(In thousands, except per share amounts)</i>			
Total contract revenues	\$ 506,012	\$ 521,271	\$ 446,432
Cost of work performed	465,273	474,027	394,527
<i>Gross profit</i>	40,739	47,244	51,905
Selling, general and administrative expenses	48,914	48,911	43,885
<i>Income/(loss) from operations</i>	(8,175)	(1,667)	8,020
Other income/(expense):			
Interest income	155	439	552
Interest expense	(948)	(145)	(39)
Other, net	(273)	42	811
<i>Income/(loss) before income taxes</i>	(9,241)	(1,331)	9,344
Provision for/(benefit from) income taxes	(1,077)	1,088	4,391
<i>Net income/(loss)</i>	\$ (8,164)	\$ (2,419)	\$ 4,953
<i>Basic and diluted net income/(loss) per share</i>	\$ (1.00)	\$ (0.30)	\$ 0.60

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

Consolidated Balance Sheets

	As of December 31,	
	1999	1998
ASSETS		
<i>(In thousands)</i>		
Current Assets		
Cash and cash equivalents	\$ 3,685	\$ 5,014
Receivables	77,964	82,672
Cost of contracts in progress and estimated earnings, less billings	20,803	22,407
Prepaid expenses and other	7,363	10,192
<i>Total current assets</i>	109,815	120,285
Property, Plant and Equipment, net	17,120	17,458
Other Assets		
Goodwill and other intangible assets, net	14,563	7,507
Other assets	7,693	6,611
<i>Total other assets</i>	22,256	14,118
<i>Total assets</i>	\$ 149,191	\$ 151,861
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
<i>(In thousands)</i>		
Current Liabilities		
Current portion of long-term debt	\$ 3,526	\$ 823
Accounts payable	28,862	43,356
Accrued employee compensation	10,462	9,141
Accrued insurance	7,884	6,155
Other accrued expenses	19,453	19,387
Excess of billings on contracts in progress over cost and estimated earnings	13,555	9,568
<i>Total current liabilities</i>	83,742	88,430
Other Liabilities		
Long-term debt	14,867	3,138
Other	5,783	7,431
<i>Total liabilities</i>	104,392	98,999
Shareholders' Investment		
Common Stock, par value \$1, authorized 44,000,000 shares, issued 7,170,663 and 7,150,179 shares, in 1999 and 1998, respectively	7,171	7,150
Series B Common Stock, par value \$1, authorized 6,000,000 shares, issued 1,313,816 and 1,319,114 shares, in 1999 and 1998, respectively	1,314	1,319
Additional paid-in-capital	37,084	37,002
Retained earnings	1,283	9,447
Less 302,989 and 303,359 shares of Common Stock in treasury, at cost, in 1999 and 1998, respectively	(2,053)	(2,056)
<i>Total shareholders' investment</i>	44,799	52,862
<i>Total liabilities and shareholders' investment</i>	\$ 149,191	\$ 151,861

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

Consolidated Statements of Cash Flow

For the years ended December 31,

	1999	1998	1997
<i>(In thousands)</i>			
Cash Flows from Operating Activities			
Net income/(loss)	\$ (8,164)	\$ (2,419)	\$ 4,953
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:			
Depreciation and amortization	7,408	5,049	4,483
Deferred income taxes	(3,117)	(695)	1,827
Changes in assets and liabilities, net of acquisitions:			
(Increase)/decrease in receivables and contracts in progress	16,293	(8,276)	(13,514)
Increase/(decrease) in accounts payable and accrued expenses	(17,789)	9,216	9,534
(Increase)/decrease in other net assets	6,512	(4,254)	520
<i>Total adjustments</i>	9,307	1,040	2,850
<i>Net cash provided by/(used in) operating activities</i>	1,143	(1,379)	7,803
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(5,337)	(10,573)	(2,533)
Acquisition of Steen Production Service, Inc.	(4,918)	-	-
Acquisition of GeoResearch, Inc.	-	(843)	-
<i>Net cash used in investing activities</i>	(10,255)	(11,416)	(2,533)
Cash Flows from Financing Activities			
Proceeds from long-term debt	10,167	3,516	-
Repayments of long-term debt	(2,454)	(964)	-
Proceeds from exercise of stock options	70	183	124
Payments to acquire treasury stock	-	(800)	-
<i>Net cash provided by financing activities</i>	7,783	1,935	124
<i>Net increase/(decrease) in cash and cash equivalents</i>	(1,329)	(10,860)	5,394
<i>Cash and cash equivalents, beginning of year</i>	5,014	15,874	10,480
<i>Cash and cash equivalents, end of year</i>	\$ 3,685	\$ 5,014	\$ 15,874
Supplemental Disclosures of Cash Flow Data			
Interest paid	\$ 669	\$ 165	\$ 50
Income taxes paid	\$ 387	\$ 2,588	\$ 2,039

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

Consolidated Statements of Shareholders' Investment

	Common Stock Par value \$1	Series B Common Stock Par value \$1	Treasury		Additional paid-in capital	Retained earnings
			Shares	Amount		
<i>(In thousands)</i>						
Balance, December 31, 1996	\$ 7,056	\$ 1,349	208	\$ 1,260	\$ 36,694	\$ 6,913
Net income	-	-	-	-	-	4,953
Series B Common Stock conversions to Common Stock	6	(6)	-	-	-	-
Restricted stock issued	3	-	-	-	21	-
Issuance of Treasury stock	-	-	(1)	(4)	2	-
Stock options exercised	22	-	-	-	102	-
Other	-	-	-	-	3	-
Balance, December 31, 1997	7,087	1,343	207	1,256	36,822	11,866
Net loss	-	-	-	-	-	(2,419)
Series B Common Stock conversions to Common Stock	24	(24)	-	-	-	-
Restricted stock issued	4	-	-	-	32	-
Treasury stock purchases	-	-	96	800	-	-
Stock options exercised	35	-	-	-	148	-
Balance, December 31, 1998	7,150	1,319	303	2,056	37,002	9,447
Net loss	-	-	-	-	-	(8,164)
Series B Common Stock conversions to Common Stock	5	(5)	-	-	-	-
Restricted stock issued	4	-	-	-	24	-
Issuance of Treasury stock	-	-	-	(3)	-	-
Stock options exercised	12	-	-	-	58	-
Balance, December 31, 1999	\$ 7,171	\$ 1,314	303	\$ 2,053	\$ 37,084	\$ 1,283

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

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Michael Baker Corporation and its subsidiaries (the "Company"), and joint ventures over which it maintains control. All intercompany accounts and transactions have been eliminated in consolidation.

Accounting for Contracts

Total contract revenues have been recorded on the percentage-of-completion method of accounting for the majority of engineering and construction contracts in the Buildings, Civil, Environmental and Transportation units. Contract revenues attributable to claims and unapproved change orders are recognized when realization is probable and the amounts can be reliably estimated. Earnings on fixed-price contracts are determined by multiplying the total estimated gross profit for the contracts by the percentage of physical completion to date (which approximates costs incurred to date in relation to total estimated costs), less earnings recognized in prior periods. Earnings under cost reimbursement contracts are principally recorded as costs are incurred. In the event that legal costs are expected to be incurred in connection with defending the Company's position related to claims or litigation on projects, such costs are accrued at the time they are probable of being incurred and reasonably estimable. As work is performed under long-term contracts, estimates of the costs are reviewed and, when necessary, revised on a current basis. Contract costs include costs of subcontracts, direct labor, supplies and overhead. Estimated losses on contracts in progress are recorded as they are identified.

Total contract revenues for the operations and maintenance contracts within the Civil and Energy units are primarily recognized as related services are provided. The Civil unit's government contracts are typically binding on the Company for a multi-year period and are renewable at the option of the respective government agency. Modifications to contract terms that result

in retroactive adjustments to contract revenues are recognized when realization is probable.

Accounting for Joint Ventures

The Company's proportionate share of majority-owned, project-specific joint venture revenue and cost of contracts is included in the accompanying Consolidated Statements of Income. In the accompanying Consolidated Balance Sheets, the Company records its interest in all majority-owned, project-specific joint ventures based on the equity method of accounting for investments. Depending on whether the related projects are expected to be completed within one year, the Company's investment in these joint ventures is included within either prepaid expenses and other current assets or other non-current assets in the accompanying Consolidated Balance Sheets. All 50% or less interests in ventures are recorded on the equity method in the accompanying Consolidated Balance Sheets and Consolidated Statements of Income.

Fair Value of Financial Instruments

The fair value of financial instruments classified as current assets and liabilities approximates carrying value due to the short-term nature of the instruments. Substantially all long-term debt is based on rates that float with the current prime rate; accordingly, the carrying value of these obligations approximates their fair value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those which result from using the estimates. The use of estimates is an integral part of applying the percentage-of-completion method of accounting for contracts.

Notes to Consolidated Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand or deposit and other highly liquid instruments with original maturities of three months or less. Any outstanding checks which create book overdrafts within banking institutions are reclassified as accounts payable; such amounts totaled \$3,920,000 and \$9,141,000 at December 31, 1999 and 1998, respectively.

Depreciation and Amortization

Depreciation on property, plant and equipment is recorded using straight-line and accelerated methods over the estimated useful lives of the assets. The estimated useful lives range from 5 to 40 years on buildings and improvements and from 3 to 20 years on equipment and vehicles. Amortization of intangible assets is provided primarily on a straight-line basis over the estimated useful lives of the assets, which range from 7 to 10 years. Upon disposal of property items, the asset and related accumulated depreciation accounts are relieved of the amounts recorded therein for such items and any resulting gain or loss is reflected in income.

Goodwill

Goodwill, which represents the excess of cost over net assets of acquired companies, is being amortized on a straight-line basis over periods ranging from 10 to 20 years. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible impairment, and uses estimates of future undiscounted net cash flows over the remaining lives in measuring whether goodwill is recoverable.

Earnings Per Common Share

Basic and diluted net income per share computations are based upon 8,175,090 and 8,178,067 weighted average shares outstanding for 1999 and 1998, respectively. For 1997, basic and diluted net income per share computations are based upon weighted averages shares outstanding of 8,207,786 and 8,299,083, respectively.

Reclassifications

Certain 1998 balance sheet amounts have been reclassified to conform with 1999 classifications.

2. CONSTRUCTION, RESTRUCTURING AND OTHER CHARGES

During 1998 and 1999, the Company recorded losses related to the CityWalk construction project being performed by Baker Mellon Stuart Construction, Inc. ("BMSCI"), a wholly-owned subsidiary of the Company, for Universal City Development Partners ("UCDP") at the Universal Studios theme park in Orlando, Florida. This project involved the construction of a new entrance to the park, which comprises a shopping area, restaurants and a large cineplex, and represented BMSCI's largest active construction contract during 1998. Under this contract, BMSCI acted as the construction manager and self-performed a portion of the work.

Following its inception in May 1997, the project suffered delays and performance issues arose. On March 5, 1999, BMSCI was terminated by UCDP from this project, which was over 90% complete. UCDP alleged contract breaches related to the quality of work, contract administration and delays in project completion, and sought damages, including consequential damages related to project delays. Both parties filed lawsuits in this matter during the first quarter of 1999. BMSCI alleged unfair and deceptive trade practices, breach of implied warranty of plans and specifications, breach of contract, wrongful termination, tortious interference with business relationships, and breach of implied contract of good faith and fair dealing, and sought damages, interest, court costs and further relief. Certain subcontractors also sued BMSCI and its surety, seeking reimbursement for costs incurred and related damages.

The UCDP project losses recorded by the Company in the fourth quarter of 1998 totaled \$10.9 million, and reflected costs incurred in excess of amounts provided for in the contract, estimated legal costs to defend the Company's position, the reversal of the cumulative gross profit totaling \$1.1 million recorded through the third quarter of 1998, and certain other costs related to the termination. During the third quarter of 1999,

Notes to Consolidated Financial Statements

management and its counsel determined that the Company was obligated to pay amounts totaling \$5.9 million to certain subcontractors and vendors for work performed or services provided on this project and for which they had not previously been paid, and additional losses in this amount were recorded.

A non-binding, court-ordered mediation process before a mediator mutually agreed by both parties commenced in January 2000. On March 22, 2000, mediation of this matter resulted in a conditional settlement agreement being entered into by the Company; BMSCI; Travelers Casualty and Surety Company of America ("Travelers"), which provided performance and payment bonds on behalf of BMSCI; UCDP; Hellmuth, Obata & Kassabaum, Inc., which designed the project; and the court-appointed mediator. Pursuant to the terms of the settlement agreement, the parties resolved the claims between them, and BMSCI agreed to pay UCDP \$2.0 million. BMSCI remains responsible for resolution of all remaining subcontractor and vendor claims, the most significant of which is the subject of a suit brought by ADF International, Inc. ("ADF"), BMSCI's subcontractor for structural steel and miscellaneous metals, against BMSCI and Travelers. The conditional settlement agreement is subject to and conditioned upon acceptance and signature by the Project Policy Insurer not later than March 31, 2000.

On November 24, 1998, ADF filed suit in Federal Court against BMSCI and Travelers seeking damages for alleged breaches of contract relating to the project. BMSCI and its surety answered the complaint (and amended complaint) and BMSCI filed a counterclaim. BMSCI and its counsel believe it has valid claims against ADF and defenses to claims by ADF. BMSCI intends to pursue and defend these claims vigorously. BMSCI further intends to engage in negotiations to settle all other subcontractor and vendor claims. The Company believes it has made adequate provisions for all subcontractor and vendor claims, including ADF, in the accompanying consolidated financial statements.

In connection with the conditional settlement agreement, and the estimated amounts that will be required to settle with subcontractors and vendors, the Company recorded additional charges totaling \$2.4 million during the fourth quarter of 1999. Other Buildings unit charges totaling \$2.8 million were also recorded during 1998 related to the settlement of construction-related litigation and charges on other completed construction projects.

In connection with the UCDP litigation, the Company determined during the first quarter of 1999 that it would no longer participate in general construction projects for buildings or transportation infrastructure. Accordingly, the Company's Buildings unit was restructured, and the Company recorded related charges totaling \$0.8 million during the first quarter of 1999. Such charges reflected severance costs associated with employee terminations, writedowns related to fixed asset impairments, and lease costs for certain office space permanently idled by the restructuring.

Certain assets held by the Company's Transportation-Construction (heavy and highway) segment, including substantially all fixed assets and the remaining contractual rights and obligations associated with eight active construction projects, were sold to A&L, Inc. ("A&L") in March 2000 in exchange for cash proceeds of \$0.7 million and A&L's assumption of certain debt and lease obligations. In connection with this sale, charges totaling \$1.9 million were recorded during the fourth quarter of 1999. Such charges primarily reflect writedowns related to fixed asset impairments, equipment lease termination costs, and lease costs for certain office space permanently idled by the restructuring. As a result of the sale, the Company remains responsible for only four significant heavy and highway construction projects, all of which are scheduled for completion by the end of the third quarter of 2000. These remaining projects are being managed for the Company by A&L.

Notes to Consolidated Financial Statements

During 1999, additional charges totaling \$12.8 million (\$8.1 million in the fourth quarter) were recorded in the Company's Transportation-Construction segment due to changes in estimates on several heavy and highway construction projects.

Other 1999 charges totaling \$3.2 million comprised the writeoff of certain goodwill and other intangible assets associated with the Company's 1998 acquisition of GeoResearch, Inc. ("GeoResearch"), severance costs related to the departure of certain former officers and employees, and adjustments on Engineering projects in the Buildings, Civil and Transportation units.

The foregoing 1999 and 1998 charges increased cost of work performed by \$22.6 million and selling, general and administrative expenses by \$4.4 million in 1999, and increased cost of work performed by \$13.7 million for 1998.

3. ACQUISITION

On September 1, 1999, Baker/MO Services, Inc. ("Baker/MO"), a wholly-owned subsidiary of the Company, purchased all of the outstanding shares of capital stock of Steen Production Service, Inc. ("Steen"), a Louisiana corporation, from its shareholders (the "Sellers"). Steen is an operations and maintenance company which provides pumping and gauging services to oil and gas facilities in the Gulf of Mexico.

The purchase price for the shares of Steen was \$10,826,000, including promissory notes totaling \$4,380,000, which will be paid to the Sellers in two equal annual installments, and including certain non-competition covenants valued at \$2,000,000. Interest on the promissory notes will accrue from September 1, 1999 at the prime rate as announced by Mellon Bank, N.A. ("Mellon"), and also will be paid in two annual installments. The Company has guaranteed Baker/MO's obligation to pay all principal and interest under the promissory notes. In addition, the Company, through its Baker/MO subsidiary, entered into five-year employment agreements with each of the two Sellers.

This acquisition has been accounted for as a purchase. Accordingly, the operating results of Steen have been included in the accompanying Consolidated Statement of Income since September 1, 1999. As required under the purchase method of accounting, the acquisition costs have been allocated to the net assets acquired based upon the fair market value to the Company as of the acquisition date. The excess of acquisition costs over the fair market value of the acquired assets and liabilities is being amortized on a straight-line basis over 20 years.

The Company's operating results for the years ended December 31, 1999 and 1998 are required to be presented on a pro forma basis assuming that the acquisition of Steen had been effective at the beginning of each respective period. The pro forma information which follows is not necessarily indicative of the results of operations as they may be in the future or as they might have been in the periods indicated, if the acquisition had been consummated at the beginning of each respective period. The pro forma information gives effect to, among other things, depreciation and amortization expense on revalued assets acquired; incremental employee benefit costs; additional interest expense that would have been incurred in borrowing the initial amounts paid for the acquisition (and corresponding adjustments of interest income earned); additional interest expense associated with the notes payable to the Sellers; and the income tax benefit associated with the foregoing pro forma adjustments.

Assuming that Steen had been acquired on January 1, 1999, the unaudited pro forma operating results of the Company for the year ended December 31, 1999 would have approximated the following: Total contract revenues of \$517,007,000; Net loss of \$(8,880,000); and Basic and diluted net loss per share of \$(1.09). Assuming that Steen had been acquired on January 1, 1998, the unaudited pro forma operating results of the Company for the year ended December 31, 1998 would have approximated the following: Total contract revenues of \$538,247,000; Net loss of \$(3,349,000); and Basic and diluted net loss per share of \$(0.41).

Notes to Consolidated Financial Statements

4. CONTRACTS

The total cost of contracts in progress (used to determine cost of work performed) plus accumulated gross profit recorded was \$910,838,000 and \$1,007,668,000 at December 31, 1999 and 1998, respectively. Billings to date on contracts in progress at December 31, 1999 and 1998 were \$903,590,000 and \$994,829,000, respectively.

Trade accounts receivable totaling \$5,857,000 and \$9,097,000 at December 31, 1999 and 1998, respectively, relate to retainage provisions under long-term contracts which will be due upon completion of the contracts. Based on management's estimates, substantially all of the retention balance at December 31, 1999 is expected to be collected in 2000.

As of December 31, 1999 and 1998, accounts payable included amounts due to subcontractors of \$2,087,000 and \$4,623,000, respectively, which have been retained under contractual terms pending the completion and acceptance of the work performed by the subcontractors.

Certain subsidiaries of the Company participate in joint ventures that are typically formed to accomplish a specific project and then dissolved upon completion of the project. The number of joint ventures in which the Company participates and the size, scope and duration of the projects vary between periods. Summarized financial information for these joint ventures is as follows (in millions):

50% or Less Equity Investees For the years ended December 31,			
	1999	1998	1997
Total contract revenues	\$ 13.4	\$ 8.2	\$ 6.0
Gross profit	0.8	1.4	1.2
Income from operations	-	0.7	1.2
Net income/(loss)	\$ (0.1)	\$ 0.5	\$ 0.4

Greater than 50% Equity Investees
For the years ended December 31,

	1999	1998	1997
Total contract revenues	\$ 16.0	\$ 12.2	\$ 10.7
Gross profit	2.4	0.7	0.7
Income from operations	2.3	0.7	0.7
Net income	\$ 2.4	\$ 0.7	\$ 0.7

As described in Note 1, the results of the operations for project-specific joint ventures in which the Company owns greater than a 50% interest are included in the Company's results of operations on a proportionate share basis. The portion of investee results of operations shown above and included in the Company's consolidated results of operations are as follows (in millions):

Greater than 50% Equity Investees
For the years ended December 31,

	1999	1998	1997
Total contract revenues	\$ 9.1	\$ 6.8	\$ 9.1
Gross profit	1.4	0.3	0.4
Income from operations	1.3	0.3	0.4
Net income	\$ 1.4	\$ 0.4	\$ 0.4

The Company's equity investment in these joint ventures was \$4,699,000 and \$2,028,000 at December 31, 1999 and 1998, respectively.

Summarized balance sheet information for the Company's joint ventures is as follows (in millions):

50% or Less Equity Investees As of December 31,		
	1999	1998
Current assets	\$ 7.3	\$ 3.1
Noncurrent assets	4.7	0.1
Current liabilities	5.1	2.1
Noncurrent liabilities	\$ 2.0	\$ -

Notes to Consolidated Financial Statements

Greater than 50% Equity Investees
As of December 31,

	1999	1998
Current assets	\$ 7.3	\$ 4.6
Noncurrent assets	0.8	-
Current liabilities	2.0	2.9
Noncurrent liabilities	\$ 1.1	\$ -

Consistent with industry practice, within each of the Company's operating units, credit is granted to customers for the payment of services rendered. Although the Company has a diversified client base, a substantial portion of its receivables and net underbillings reflected in the accompanying Consolidated Balance Sheets is dependent upon U.S. federal and state government appropriations.

Internationally, the Company conducts business in certain countries where unstable governments subject the Company's related trade receivables, due from subsidiaries of major oil companies, to unique collection delays. Based upon past experience with these clients, management believes that these receivables will be fully collectible.

5. BUSINESS SEGMENT INFORMATION

The Company has five operating business units. The Buildings, Energy and Environmental units each represent separate reportable segments, while the Transportation and Civil units each comprise two reportable segments. Accordingly, the Company has the following seven reportable segments:

- The Buildings unit has historically provided a variety of services including design-build, construction management, planning, program management, general contracting, architectural and interior design, construction inspection and constructability reviews; however, the unit's offering of general contracting services was discontinued during 1999 (see Note 2).

- The Civil unit includes two reportable segments. The Civil-Engineering segment provides surveying, mapping, geographic information systems, planning, design and construction management. The Civil-Baker Support Services Inc. ("BSSI") segment principally provides operations and maintenance services on U.S. military bases.
- The Energy unit offers services that include turbine overhauls, mechanical services including major equipment outages, operations and maintenance, in-shop and onsite mechanical reconditioning and training services for energy producers.
- The Environmental unit provides a combination of engineering and consulting services in both the public and private markets.
- The Transportation unit includes two reportable segments. The Transportation-Engineering segment provides planning, design, program management and software development capabilities. The Transportation-Construction segment historically provided general construction services related to highways, bridges, airports, busways and other transportation facilities; however, all bidding activity ceased during 1999 and this segment's operations are currently in the process of being wound down (see Note 2).

The accounting policies of the segments are the same as those described in the summary of significant accounting policies (see Note 1). The Company evaluates the performance of its segments primarily based on income before income taxes.

Notes to Consolidated Financial Statements

The following tables reflect the required disclosures for the Company's seven segments (in millions):

	1999	1998	1997
Total contract revenues:			
Buildings unit	\$ 53.8	\$ 151.6	\$ 126.4
Civil unit:			
Engineering	68.1	69.1	67.7
BSSI	53.5	61.8	50.5
Energy unit	80.2	68.6	54.8
Environmental unit	28.5	22.7	21.5
Transportation unit:			
Engineering	90.2	72.3	62.0
Construction	130.9	75.2	63.5
<i>Subtotal - segments</i>	505.2	521.3	446.4
Corporate	0.8	-	-
<i>Total</i>	\$ 506.0	\$ 521.3	\$ 446.4

	1999	1998	1997
Income/(loss) before taxes:			
Buildings unit	\$ (7.8)	\$ (13.9)	\$ 0.9
Civil unit:			
Engineering	1.8	3.5	3.7
BSSI	1.5	0.1	-
Energy unit	2.9	4.0	2.3
Environmental unit	1.6	1.0	0.4
Transportation unit:			
Engineering	4.1	2.9	1.0
Construction	(14.0)	0.7	0.6
<i>Subtotal - segments</i>	(9.9)	(1.7)	8.9
Corporate/Insurance	0.7	0.4	0.4
<i>Total</i>	\$ (9.2)	\$ (1.3)	\$ 9.3

	1999	1998
Segment assets:		
Buildings unit	\$ 7.4	\$ 30.5
Civil unit:		
Engineering	23.3	18.7
BSSI	15.8	15.6
Energy unit	40.3	27.9
Environmental unit	4.8	5.1
Transportation unit:		
Engineering	28.9	21.7
Construction	17.4	20.6
<i>Subtotal - segments</i>	137.9	140.1
Corporate/Insurance	11.3	11.8
<i>Total</i>	\$ 149.2	\$ 151.9

	1999	1998	1997
Capital expenditures:			
Buildings unit	\$ 0.2	\$ 0.3	\$ 0.1
Civil unit:			
Engineering	1.0	1.4	0.6
BSSI	0.4	0.8	0.3
Energy unit	0.6	1.2	0.4
Environmental unit	0.1	0.2	-
Transportation unit:			
Engineering	1.2	1.3	0.3
Construction	0.7	4.2	0.3
<i>Subtotal - segments</i>	4.2	9.4	2.0
Corporate	1.1	1.2	0.5
<i>Total</i>	\$ 5.3	\$ 10.6	\$ 2.5

	1999	1998	1997
Depreciation and amortization:			
Buildings unit	\$ 0.2	\$ 0.2	\$ 0.2
Civil unit:			
Engineering	1.9	0.7	0.4
BSSI	0.8	0.6	0.5
Energy unit	1.5	1.1	1.2
Environmental unit	0.1	0.1	0.1
Transportation unit:			
Engineering	0.9	0.6	0.5
Construction	0.9	0.7	0.5
<i>Subtotal - segments</i>	6.3	4.0	3.4
Corporate	1.1	1.0	1.1
<i>Total</i>	\$ 7.4	\$ 5.0	\$ 4.5

Notes to Consolidated Financial Statements

The Company has determined that the intersegment revenues, interest income and expense, equity in the net income of investees accounted for by the equity method and the amount of investment in equity method investees, by segment, are immaterial for further disclosure in these financial statements.

The required enterprise-wide disclosures are as follows (in millions):

	1999	1998	1997
Total contract revenues by type of service:			
Engineering	\$ 202.5	\$ 178.4	\$ 164.2
Construction	169.9	212.4	176.9
Operations & Maintenance	133.6	130.5	105.3
<i>Total</i>	<i>\$ 506.0</i>	<i>\$ 521.3</i>	<i>\$ 446.4</i>

	1999	1998	1997
Total contract revenues by geographic origin:			
Domestic	\$ 455.2	\$ 475.2	\$ 403.6
Foreign	50.8	46.1	42.8
<i>Total</i>	<i>\$ 506.0</i>	<i>\$ 521.3</i>	<i>\$ 446.4</i>

	1999	1998	1997
Total contract revenues by principal markets:			
United States government	21.4%	27.1%	23.8%
Various state and quasi-governmental agencies	46.9%	34.4%	40.9%
Commercial, industrial and private clients	31.7%	38.5%	35.3%

The Company's business is substantially conducted in the U.S. No individual contract accounted for more than 10% of the Company's total contract revenues in 1999 or 1997; however, several contracts with the Pennsylvania Department of Transportation provided 11% of the Company's total contract revenues in 1999. The aforementioned contract with UCDP accounted for 12% of the Company's total contract revenues in 1998.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	1999	1998
Land	\$ 552	\$ 552
Buildings and improvements	7,091	6,832
Equipment and vehicles	42,319	41,137
<i>Total, at cost</i>	<i>49,962</i>	<i>48,521</i>
Less - Accumulated depreciation	(32,842)	(31,063)
<i>Net property, plant and equipment</i>	<i>\$ 17,120</i>	<i>\$ 17,458</i>

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consist of the following (in thousands):

	1999	1998
Goodwill, net of accumulated amortization of \$3,927 and \$2,867, respectively	\$ 12,219	\$ 6,091
Other intangible assets, net of accumulated amortization of \$2,916 and \$2,344, respectively	2,344	1,416
<i>Net intangible assets</i>	<i>\$ 14,563</i>	<i>\$ 7,507</i>

Effective September 1, 1999, the Company acquired all of the outstanding shares of capital stock of Steen from its shareholders in a transaction accounted for as a purchase. The Company recorded goodwill and other intangible assets totaling \$9,164,000 during the third quarter of 1999.

Effective October 1, 1998, the Company acquired all of the outstanding shares of capital stock of GeoResearch from its shareholder in a transaction accounted for as a

Notes to Consolidated Financial Statements

purchase. While this transaction is not considered material for purposes of detailed disclosure, the Company recorded goodwill and other intangible assets totaling \$1,943,000 during the fourth quarter of 1998. During the third quarter of 1999, the Company determined that the value of the goodwill and other intangible assets were impaired and wrote off the unamortized balance of these intangible assets totaling \$825,000.

8. LONG-TERM DEBT AND BORROWING AGREEMENTS

The Company has a credit agreement (the "Agreement") with Mellon, which provides for a commitment of \$25 million through May 31, 2001. The commitment includes the sum of the principal amount of revolving credit loans outstanding and the aggregate face value of outstanding letters of credit. As of December 31, 1999, borrowings of \$10,088,000 were outstanding under the Agreement, along with outstanding letters of credit totaling \$2,262,000.

The Agreement provides for the Company to borrow at the Bank's prime interest rate, and for the Company to meet certain cash flow, leverage, interest coverage and tangible net worth requirements. Under the Agreement, the Company pays the Bank commitment fees of 3/8% per year based on the unused portion of the commitment.

The Agreement was unsecured through December 1999, at which time Mellon acted to secure the Agreement as a result of the Company's third quarter 1999 charges (see Note 2) and its related financial covenant violations. Accordingly, borrowings under the Agreement are currently secured by the receivables and stock of the Company and most of its subsidiaries. These financial covenants were again not achieved for the fourth quarter of 1999. Mellon has waived through the end of the first quarter of 2000, its rights related to the fourth quarter 1999 loan covenant violations. The Company and Mellon have agreed on amendments to the related loan covenants, such that the Company believes it will be able to achieve the amended

covenants during 2000. These amendments also included a provision that borrowings under the Agreement shall be limited to 80% of eligible receivables, as determined by Mellon.

The maximum amount of borrowings outstanding under the Agreement during 1999 was \$20,641,000. For 1999, the average daily balance outstanding when the Company was in a net borrowing position was \$6,711,000 at a weighted average interest rate of 7.4%. For 1998, the average daily balance outstanding when the Company was in a net borrowing position was \$2,584,000 at a weighted average interest rate of 8.0%. The proceeds from 1999 borrowings under the Agreement were used to for the purchase of Steen and to meet various working capital requirements.

Other amounts totaling \$8,305,000 at December 31, 1999, and included in current portion of long-term debt and long-term debt in the accompanying Consolidated Balance Sheet, represent amounts associated with the Steen and GeoResearch acquisitions, in addition to amounts due for construction equipment financed in 1998. These notes and obligations mature as follows: \$3,526,000 in 2000, \$3,190,000 in 2001, \$938,000 in 2002, \$379,000 in 2003, \$162,000 in 2004, and \$110,000 thereafter. The interest rates with respect to these notes ranged from 4.44% to 8.50% as of December 31, 1999.

9. CAPITAL STOCK

In 1996, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's Common Stock in the open market. During 1998, the Company repurchased 96,379 treasury shares of Common Stock at market prices ranging from \$7.53 to \$8.87 per share, for a total price of \$800,000. The Company made no treasury share repurchases during 1999 or 1997.

The Company's Common Stock is divided into two series, Common Stock and Series B Common Stock. Each share of Common Stock entitles the holder thereof

Notes to Consolidated Financial Statements

to one vote on all matters submitted to the shareholders, and each share of Series B Common Stock entitles the holder thereof to ten votes on all such matters.

The Company's Articles of Incorporation authorize the issuance of 300,000 shares of Cumulative Preferred Stock, par value \$1 per share. At December 31, 1999 and 1998, there were no shares of such Preferred Stock outstanding.

10. RIGHTS AGREEMENT

Effective November 11, 1999, the Company's Board of Directors adopted a Rights Agreement (the "Rights Agreement") that is intended to provide that shareholders receive fair treatment in the event of any proposed takeover of the Company. The existence of the Rights Agreement should encourage potential acquirers to negotiate with the Company's Board of Directors prior to any hostile takeover attempt and should give the Board of Directors increased leverage in such negotiations. The Rights Agreement was not adopted in response to any specific offer or hostile takeover threat.

In connection with the Rights Agreement, the Company declared a distribution of one Right (a "Right") for each outstanding share of Common Stock to shareholders of record at the close of business on November 30, 1999. The Rights will become exercisable after a person or group has acquired 25% or more of the Company's outstanding Common Stock or has announced a tender offer that would result in the acquisition of 25% or more of the Company's outstanding Common Stock. The Board of Directors has the option to redeem the Rights for \$0.001 per Right prior to their becoming exercisable.

Assuming the Rights have not been redeemed, after a person or group has acquired 25% or more of the Company's outstanding Common Stock, each Right (other than those owned by a holder of 25% or more of the Common Stock) will entitle its holder to purchase,

at the Right's then current exercise price, a number of shares of the Common Stock of the acquiring party having a value equal to two times the exercise price of the Rights. In addition, at any time after the Rights become exercisable and prior to the acquisition by the acquiring party of 50% or more of the outstanding Common Stock, the Company's Board of Directors may exchange the Rights (other than those owned by the acquiring person or its affiliates) for Common Stock of the Company at an exchange ratio of one share of Common Stock per Right.

Initially, the Rights will not be exercisable and certificates will not be issued. The Rights will be evidenced by and trade with the Company's Common Stock until they become exercisable and are separated from the Common Stock upon the occurrence of certain future events. Until that time, one Right will also be issued with respect to each new share of Common Stock that shall become outstanding. The Rights will expire on November 16, 2009, unless they are earlier exchanged or redeemed.

11. LEASE COMMITMENTS

Rent expense under noncancelable operating leases was \$11,521,000 in 1999, \$11,687,000 in 1998 and \$10,364,000 in 1997.

Minimum annual rentals payable under noncancelable operating leases in each of the five years after December 31, 1999 are \$10,556,000, \$7,927,000, \$4,815,000, \$1,939,000 and \$1,046,000, respectively. These noncancelable leases relate to office space, computer equipment, office equipment and vehicles, with lease terms ranging from one to 10 years.

Notes to Consolidated Financial Statements

12. INCOME TAXES

The provision for income taxes consisted of the following (in thousands):

	1999	1998	1997
Current income taxes:			
Federal	\$ (70)	\$ 18	\$ 1,401
State	295	246	139
Foreign	1,815	1,519	1,024
<i>Total current income taxes</i>	2,040	1,783	2,564
Deferred income taxes:			
Federal	(3,345)	(799)	1,705
State	228	104	122
<i>Total deferred income taxes</i>	(3,117)	(695)	1,827
<i>Total provision for/ (benefit from) income taxes</i>	\$ (1,077)	\$ 1,088	\$ 4,391

The following is a reconciliation of income taxes at the federal statutory rate to income taxes recorded by the Company (in thousands):

	1999	1998	1997
Computed income taxes at U.S. federal statutory rate	\$ (3,142)	\$ (453)	\$ 3,177
Foreign taxes, net of federal income tax benefits	1,180	1,003	676
State income taxes, net of federal income tax benefits	340	225	172
Nondeductible charges	542	313	300
Other, net	3	-	66
<i>Total provision for/ (benefit from) income taxes</i>	\$ (1,077)	\$ 1,088	\$ 4,391

The domestic and foreign components of the Company's income/(loss) before income taxes are as follows (in thousands):

	1999	1998	1997
Domestic	\$ (12,355)	\$ (4,203)	\$ 7,148
Foreign	3,114	2,872	2,196
<i>Total</i>	\$ (9,241)	\$ (1,331)	\$ 9,344

The components of the Company's deferred income tax assets and liabilities at December 31, 1999 and 1998 are as follows (in thousands):

	1999	1998
Deferred income tax assets:		
Deductible temporary differences:		
Provision for expenses and losses	\$ 7,123	\$ 6,341
Contract overbillings	980	666
Federal tax operating loss carryforward	1,650	-
Accrued vacation pay	1,169	1,301
Fixed and intangible assets	728	852
Minimum tax credits	379	379
Charitable contribution carryforward	277	307
Other	90	135
<i>Total deferred income tax assets</i>	12,396	9,981
Deferred income tax liabilities:		
Contract underbillings	(7,232)	(7,507)
Undistributed foreign earnings	(1,359)	(1,494)
<i>Total deferred income tax liabilities</i>	(8,591)	(9,001)
<i>Net deferred tax asset</i>	\$ 3,805	\$ 980

Notes to Consolidated Financial Statements

As of December 31, 1999, the Company had a U.S. net operating loss carryforward of \$4,854,000 that expires in the year 2019. The Company also has contribution carryforwards totaling \$814,000 at December 31, 1999 that expire in 2000 through 2003 and minimum tax credit carryforwards totaling \$379,000 at December 31, 1999 that do not expire.

The Company's U.S. income tax returns for the years 1996 through 1998 remain subject to audit. Management believes that adequate provisions have been made for income taxes at December 31, 1999.

13. CONTINGENCIES

The Company is insured for its primary layer of professional liability insurance through a wholly-owned captive insurance subsidiary. The secondary layer of the professional liability insurance continues to be provided, consistent with industry practice, under a "claims-made" insurance policy placed with an independent insurance company. Under claims-made policies, coverage must be in effect when a claim is made. This insurance is subject to standard exclusions.

The Company is self-insured up to certain limits with respect to its workers' compensation and general liability exposures. Provisions for losses expected for these exposures are recorded based upon the Company's estimates of the aggregate liability for claims incurred. Such estimates utilize certain actuarial assumptions followed in the insurance industry. Insurance coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract.

The Company has been named as a defendant or co-defendant in legal proceedings wherein substantial damages are claimed. Such proceedings are not uncommon to the Company's business. After consultations with counsel, management believes that the Company has recognized adequate provisions for probable and reasonably estimable liabilities associated with these proceedings, and that their ultimate resolutions will not have a material adverse effect on the consolidated financial

position or annual results of operations of the Company. The Company currently is a party to two material legal proceedings. The more significant proceeding relates to BMSC's construction contract with UCDP (see Note 2).

The other significant proceeding relates to a lawsuit brought in 1987 in the Supreme Court of the State of New York, Bronx County, by the Dormitory Authority of the State of New York against a number of parties, including the Company and one of its wholly-owned subsidiaries, that asserts breach of contract and alleges damages of \$13,000,000. The Company, which was not a party to the contract underlying the lawsuit, contends that there is no jurisdiction with respect to the Company and that it cannot be held liable for any conduct of the subsidiary. Both the Company and the subsidiary are contesting liability issues and have filed cross-claims and third-party claims against other entities involved in the project.

In another matter, on September 30, 1998, the Company purchased all the issued and outstanding shares of GeoResearch, a District of Columbia corporation, from its former owner. In connection with this transaction, the Company agreed to pay the former owner certain cash consideration in installments, repay certain indebtedness of GeoResearch, and pay as contingent consideration an earnout amount (if any) based upon a formula tied to the operating profit of the Company's and GeoResearch's combined geotechnical businesses, in excess of a specified threshold, for the year ending December 31, 2001. The threshold contemplated substantial growth in the combined businesses over the years 1999 through 2001. In addition, GeoResearch entered into an Employment Agreement with the former owner commencing October 1, 1998 and continuing until December 31, 2001, unless sooner terminated as provided therein. GeoResearch terminated the former owner's Employment Agreement in 1999 and the Company ceased further payments under the Stock Purchase Agreement alleging material breaches of both Agreements by the former owner. In addition, GeoResearch and the Company initiated arbitration as

Notes to Consolidated Financial Statements

provided for by the agreements, seeking reimbursement of amounts paid to the former owner as part of the transaction. The former owner disputes the claims by the Company and GeoResearch and the termination and has counterclaimed against the Company and GeoResearch seeking to recover remaining amounts under the Employment Agreement, the remaining installments under the Stock Purchase Agreement (\$875,000), and to establish entitlement to the earnout which by its terms cannot exceed \$5.3 million. At December 31, 1999, the Company still had the remaining installments under the Stock Purchase Agreement of \$875,000 recorded as a liability in its accompanying Consolidated Balance Sheet. GeoResearch and the Company are aggressively pursuing their claims against the former owner of GeoResearch and contesting any liability; however, the outcome of this matter cannot presently be determined.

At December 31, 1999, certain subcontractors performing work on uncompleted Company and joint-venture construction contracts and certain contractors on construction management projects had not been required to furnish performance bonds. In the opinion of management, provision has been made for all costs that will be incurred as a result of such contractors not performing in accordance with their agreements.

14. EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

The Company maintains a defined contribution retirement program through an Employee Stock Ownership Plan ("ESOP"), in which substantially all employees are eligible to participate. In addition to providing a vehicle for investment in Company stock, the ESOP offers participants several other investment options. Contributions to the ESOP are derived from a 401(k) Salary Redirection Program with a Company matching contribution, and a discretionary contribution as determined by the Company's Board of Directors. Under the 401(k) Salary Redirection Program, the Company matches 100% of the first 5% and 50% of the next 1% of eligible salary contributed by participants.

The Company's matching contributions are invested not less than 25% in Michael Baker Corporation Common Stock, with the remaining 75% being available to invest in Baker Common Stock or mutual funds, as directed by the participants. From July 1, 1997 through December 31, 1998, the Company's matching contributions were not permitted to be less than 50% invested in Baker Common Stock with the remaining 50% being available to invest in Baker Common Stock or mutual funds, as directed by the participants. Prior to July 1997, the Company's matching contributions were required to be invested 100% in Baker Common Stock. Company contributions under this program amounted to \$4,565,000, \$4,312,000 and \$3,321,000 in 1999, 1998 and 1997, respectively.

As of December 31, 1999, the market value of all ESOP investments was \$101,647,000, of which 23% represented the market value of the ESOP's investment in Michael Baker Corporation Common Stock. The Company's ESOP held 42% of the shares and 72% of the voting power for the outstanding Common Stock and Series B Common Stock of the Company at the end of 1999.

15. STOCK OPTION PLANS

As of December 31, 1999, the Company has two fixed stock option plans. Under the amended 1995 Stock Incentive Plan (the "Plan"), the Company may grant options for an aggregate of 1,500,000 shares of Common Stock to key employees. Under the 1996 Nonemployee Directors' Stock Incentive Plan (the "Directors' Plan"), the Company may grant options and restricted shares for an aggregate of 150,000 shares of Common Stock to nonemployee board members. Under both plans, the exercise price of each option equals the market price of the Company's stock on the date of grant. Unless otherwise established, one-fourth of the options granted to key employees become immediately vested, and the remaining three-fourths vest in annual one-fourth increments under the Plan, while the options under the Directors' Plan are fully vested at date of grant. Vested options remain exercisable for a period

Notes to Consolidated Financial Statements

of ten years from the grant date under both plans. Under the Directors' Plan, each nonemployee director was issued 500 restricted shares of Common Stock, for a total of 3,500 shares of restricted stock issued in 1999 and 1998. The Company recognized compensation expense totaling \$27,000, \$35,000 and \$31,000 related to the issuance of these restricted shares in 1999, 1998 and 1997, respectively. Restrictions on the shares expire two years after the issue date.

The following table summarizes all stock option activity for both plans in 1999, 1998 and 1997:

	Shares subject to option	Average exercise price per share
Balance at December 31, 1996	194,692	\$ 4.94
Options granted	179,593	\$ 6.90
Options exercised	(22,690)	\$ 5.48
Options forfeited	(10,581)	\$ 5.76
Balance at December 31, 1997	341,014	\$ 5.92
Options granted	402,397	\$ 9.96
Options exercised	(35,191)	\$ 5.20
Options forfeited	(2,639)	\$ 6.46
Balance at December 31, 1998	705,581	\$ 8.25
Options granted	67,289	\$ 7.18
Options exercised	(11,686)	\$ 6.02
Options forfeited	(145,368)	\$ 9.60
Balance at December 31, 1999	615,816	\$ 7.86

The weighted average fair value of options granted during 1999, 1998, and 1997 was \$3.87, \$5.37 and \$3.94, respectively.

The following table summarizes information about stock options outstanding under both plans as of December 31, 1999:

Options granted in	Exercise price	Outstanding options	Average life*	Exercisable options
Jan. 1995	\$ 5.00	90,884	5.0	90,884
Feb. 1996	\$ 4.81	38,282	6.2	38,282
May 1996	\$ 5.03	4,000	6.4	4,000
Feb. 1997	\$ 6.91	133,555	7.2	105,623
May 1997	\$ 6.84	7,000	7.4	7,000
Feb. 1998	\$ 9.53	87,949	8.2	51,773
Apr. 1998	\$10.13	186,857	8.4	7,000
Feb. 1999	\$ 9.00	10,289	9.2	2,571
July 1999	\$ 7.81	7,000	9.6	7,000
Sept. 1999	\$ 6.72	50,000	9.8	35,117
Total		615,816	7.6	349,250

*Average life remaining in years

As permitted under Statement of Financial Accounting Standards No. ("SFAS") 123, "Accounting for Stock-Based Compensation," the Company continues to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in its accounting for stock-based compensation plans, and adopted SFAS 123 for disclosure purposes only. Accordingly, no compensation cost was recognized for stock options granted in 1999, 1998 or 1997. If compensation costs for the Company's stock incentive plans had been determined based on the fair value at the grant dates for awards under those plans, consistent with the method prescribed by SFAS 123, the Company's net income and diluted net income per share amounts would have been reduced.

If SFAS 123 had been used to account for both stock option plans, the Company's pro forma net income/(loss) amounts would have been \$(8,524,000), \$(2,669,000) and \$4,725,000 for the years ended December 31, 1999, 1998 and 1997, respectively. Similarly, the Company's pro forma diluted net income/(loss) per share would have been \$(1.04), \$(0.33) and \$0.57 for the years ended December 31, 1999, 1998, and 1997, respectively.

Notes to Consolidated Financial Statements

The fair value of options on the respective grant dates was estimated using a Black-Scholes option pricing model with certain assumptions. The key assumptions used include a weighted average risk-free interest rate

of 5.9%, weighted average expected volatility of 49.2%, an expected option life of 6 years, and a 0% expected dividend yield.

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for the two years ended December 31, 1999 (in thousands, except per share information):

	1999 - Three Months Ended				1998 - Three Months Ended			
	March 31*	June 30	Sept. 30*	Dec. 31*	March 31	June 30	Sept. 30	Dec. 31*
Total contract revenues	\$ 115,118	\$ 134,066	\$ 129,790	\$ 127,038	\$ 111,097	\$ 127,118	\$ 135,803	\$ 147,253
Gross profit	13,459	15,885	6,158	5,237	12,244	15,742	15,764	3,494
Income/(loss) before income taxes	780	3,537	(5,438)	(8,120)	1,378	3,123	3,947	(9,779)
Net income/(loss)	413	1,875	(4,017)	(6,435)	730	1,655	2,093	(6,897)
Diluted net income/(loss) per common share	\$ 0.05	\$ 0.23	\$ (0.49)	\$ (0.79)	\$ 0.09	\$ 0.20	\$ 0.25	\$ (0.84)

*Includes Buildings and Transportation unit project charges and Buildings unit restructuring charges (see Note 2).

Report of Independent Accountants

To the Shareholders and Board of Directors of Michael Baker Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' investment and of cash flows present fairly, in all material respects, the financial position of Michael Baker Corporation and its subsidiaries (the "Company") at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in

the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



PricewaterhouseCoopers LLP
Pittsburgh, PA
March 29, 2000

Supplemental Financial Information

Market Information - Common Shares

The principal market on which the Michael Baker Corporation Common Stock is traded is the American Stock Exchange. High and low closing prices of the Common Stock for each quarter during 1999 and 1998 were as follows:

	1999				1998			
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
High	9 ⁵ / ₈	8	7 ⁷ / ₈	6 ⁵ / ₈	10 ¹ / ₂	10 ¹ / ₂	9 ¹ / ₂	10 ³ / ₈
Low	6 ⁵ / ₈	6 ¹ / ₂	5 ⁵ / ₈	5	8 ¹ / ₂	9 ¹ / ₁₆	6 ¹³ / ₁₆	7 ¹ / ₄

Corporate Management

Richard L. Shaw

*Chairman and
Chief Executive Officer
Michael Baker Corporation*

Donald P. Fusilli, Jr., J.D., P.E.

*President and
Chief Operating Officer
Michael Baker Corporation*

H. James McKnight, J.D.

*Senior Vice President,
General Counsel and Secretary
Michael Baker Corporation*

Craig O. Stuver, CPA

*Vice President and
Corporate Controller
Michael Baker Corporation*

Piyush P. Amin, P.E.

*Vice President
Michael Baker Jr., Inc.*

A. Glenn Calloway, P.E., P.L.S.

*Vice President and
Regional Office Manager
Michael Baker Jr., Inc.*

Robert D. Flock, CPA

*Vice President and Treasurer
Baker Mellon Stuart
Construction, Inc.*

Patricia S. Gesing

*Executive Vice President
Baker Engineering, Inc.*

David J. Greenwood, P.E.

*Senior Vice President
Michael Baker Jr., Inc.*

John C. Hayward, Ph.D., P.E.

*President
Michael Baker Jr., Inc.*

G. John Kurgan, P.E.

*Senior Vice President
Michael Baker Jr., Inc.*

Rodney Levett-Prinsep

*Senior Vice President
Baker Energy*

H. P. Lim, P.E.

*Chairman
Baker Engineering NY, Inc.*

Michael G. Pavlides

*Vice President and
Regional Office Manager
Michael Baker Jr., Inc.*

James B. Richards, Jr.

*Vice President and
Southeast Region Manager
Michael Baker Jr., Inc.*

Philip A. Shucet

*President
Baker Environmental, Inc.*

John D. Swanson, P.E.

Vice President

Robert W. Unger, P.E.

*Vice President
Baker Support Services, Inc.*

E. Raymond Whitbread, P.E.

*President and
Chief Executive Officer
Baker Engineering NY, Inc.*

John D. Whiteford

*Vice President
Baker Energy*

Michael D. Whitten

*Vice President of
International Operations
Baker O&M International*

Edward L. Wiley, P.E.

*Executive Vice President
Michael Baker Jr., Inc.*

Shareholder Information

Annual Meeting

Baker's Annual Meeting will be held at 10:00 a.m., Wednesday, May 24, 2000, at the Embassy Suites Hotel, 550 Cherrington Parkway, Coraopolis, PA 15108.

Investor Relations

Investors or analysts with questions about the company should contact:
Richard L. Shaw
Chairman and
Chief Executive Officer
at 412.269.2540.

Form 10-K

Written requests for the company's 1999 Form 10-K, which was filed on March 30, 2000, should be sent to:
Office of the Secretary
Michael Baker Corporation
P.O. Box 12259
Pittsburgh, PA 15231-0259

Or, access our reports electronically on the Internet. Baker's World Wide Web address is www.mbakercorp.com.

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