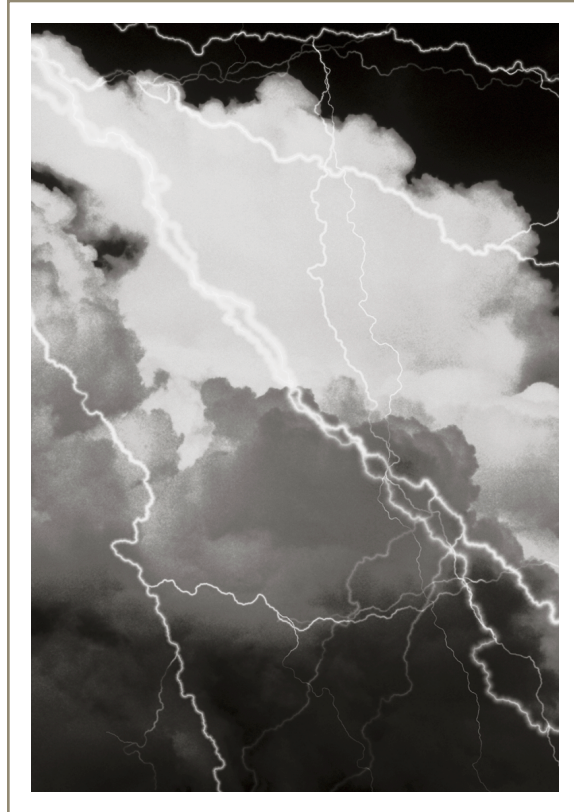



QUANTA SERVICES, INC.



2001 ANNUAL REPORT





Quanta Services, Inc. is a leading provider of specialized contracting services, delivering end-to-end network solutions to the electric power, natural gas, telecommunications and broadband cable television industries. We provide a comprehensive range of services on a nationwide basis, including the design, installation, maintenance and repair of virtually every type of network infrastructure.

To Our Stockholders:

# Tough conditions reveal a tougher company.

You often can't tell what an organization is made of until you watch it deal with adversity. With the sagging economy and ongoing decline in the telecommunications markets, Quanta Services faced one of the biggest challenges in its history last year. Although 2001 was filled with obstacles, our financial results and our organizational efforts speak powerfully of the value and strength of the organization we have created.

## WE INCREASED REVENUES

*to \$2.01 billion from \$1.79 billion in 2000.*

## WE INCREASED CASH FLOW FROM OPERATIONS

*to a record \$210 million.*

## WE MAINTAINED A DIVERSE MIX OF CUSTOMERS,

*involved in a diverse range of industries,  
requiring a diverse set of services.*

## WE SHIFTED ASSETS TO SUPPORT CUSTOMER DEMAND

*and increased resource utilization.*

## WE WERE PROACTIVE

*in our business development efforts, and reached out  
to existing and potential customers with a new regional  
management structure, a new marketing campaign and  
an industry-oriented service portfolio.*

**Far from losing money in a challenging year, we produced \$272 million in EBITDA and reduced our debt by \$79 million in the fourth quarter. In short, we did not simply survive 2001; we emerged as a much stronger company, one that is extremely well-positioned to deliver enhanced value for our customers and stockholders alike.**

Staying right in the right-of-way.

Quanta was founded with the vision of becoming the premier outsourcing partner for the electric power industry. As we assembled the resources to provide electric contracting solutions, major economic forces in multiple markets (including communications, computing and Internet-related services) continued to converge in a high-stakes race to discover and deliver new services. This convergence happened on our job sites across the nation — the rights-of-way over which electric power, natural gas, and voice and data communications flow from generator to provider to consumer. Quanta enjoyed the upside of the resulting boom in telecommunications, and inevitably was affected by the downside as funding cooled over the past eighteen months.

In 2001, Quanta refined its focus on operations and acquisitions to maximize assets, leverage opportunities and meet demands. We cross-trained our telecommunications experts to compete for electric transmission and distribution work. We led the outsourcing trend with the initiation of our agreement with Puget Sound Energy, and are building on the success of that work. In addition, we acquired

companies that complement our expertise, including an electric power contractor that increased our presence and opportunities in the Texas market.

The value of our business model continues to be augmented by market forces. Just as deregulation and the resulting increased competition have led electric utilities and power companies to focus on core strengths and outsource network projects, the decline in funding for telecommunications is having the same effect. Faced with diminished financial resources and a shrinking workforce, telecommunications companies are focusing on core capabilities, and are beginning to consider the increased efficiencies and overall benefits of outsourcing the design, installation and maintenance of their networks.

Single source.  
Cross-selling.  
Best practices.

The services that Quanta provides address vital markets, because continued economic progress demands fast, reliable and cost-effective delivery of energy and communications products and services. To deliver these services, we have assembled the only team with the resources and expertise to provide the entire range of contracting

### Here's what we're doing in 2002:

Electric power *Delivering on the promise of our outsourcing solutions, demonstrating the cost-effectiveness of this approach to a broader range of utilities and power companies, and continuing to provide value and unsurpassed knowledge to address industry trends.*

Natural gas *Taking advantage of increased regulatory scrutiny and concern over the integrity of existing pipelines to highlight our expertise in such areas as corrosion testing and preventive maintenance.*

Telecommunications *Focusing on segments likely to recover more quickly than the industry as a whole, and remaining in a position to capitalize when funding begins to return. We will pay close attention to the quality of these contracts, monitoring margins and favoring stable, blue chip customers.*

Broadband cable television *Identifying and pursuing opportunities with the fastest-growing, best-financed companies in the business. We will continue to expand our service offerings to meet the industry's evolving needs.*

Specialized services *Leveraging our capabilities to provide diverse services to companies involved in transportation management, highway construction and related industries while exploiting cross-selling opportunities.*

services to build and maintain network infrastructures on a nationwide basis. We have built this team by acquiring some of the country's most experienced and successful contractors. Then we let them do what they do best while providing additional resources, presenting new opportunities and helping to expand their geographic reach.

We completed a number of efforts in 2001 to improve our integration and operations:

- In early 2001, we enhanced our executive team with the addition of Peter T. Dameris, Chief Operating Officer.
- We added strategic expertise to our Board with the appointment of Terrence Dunn, Louis Golm and Jerry Langdon as independent directors.
- We created a regional management structure that is organized geographically to maximize synergies and leverage opportunities across our operating units.
- We supplemented this regional structure with industry panels to share expertise and anticipate developments that will affect our customers and our business.

These strategic efforts reinforce our position as the single source for all the expertise involved in network services, regardless of what commodity is flowing along the right-of-way, regardless of what company is selling it, and regardless of where the provider or consumer is located. In addition, these activities are facilitating internal communication and coordination, cross-selling, and the sharing of best practices among our operating units.

The maturity to make smart business decisions. The challenging conditions of 2001 demanded a mature set of business skills. Faced with decreased funding, telecommunications companies delayed projects and payments. In response, we maximized our margins by becoming far more selective in the projects we pursued and the customers we sought. We focused our acquisition program on companies that would complement and extend our electrical power expertise. Taking advantage of our regional organization and industry panels, we shared best practices among our operating companies, helping those previously focused on telecommunications to expand their electrical power expertise. To communicate more clearly and powerfully with our customers, we launched a new marketing campaign, a new logo and a new web site.

Despite the adverse economic climate, we have continued to reduce our debt and produce positive cash flow. We remain well-capitalized to manage our acquisition and development plans. And we continue to expand the capabilities of our team in every important dimension — financial, operational, marketing, technological and human resources.

### The Power of One

*It conveys the fact that Quanta has all the equipment, expertise and manpower to design, install, repair and maintain network infrastructure — for any company, in any geographic region, from start to finish. No other organization in this country can make that claim.*

We're not waiting for the economy.

As you can see, Quanta is not waiting around for the telecommunications market to recover, or for economic conditions to improve. In fact, our successes of the past year have galvanized our conviction in the value of this company.

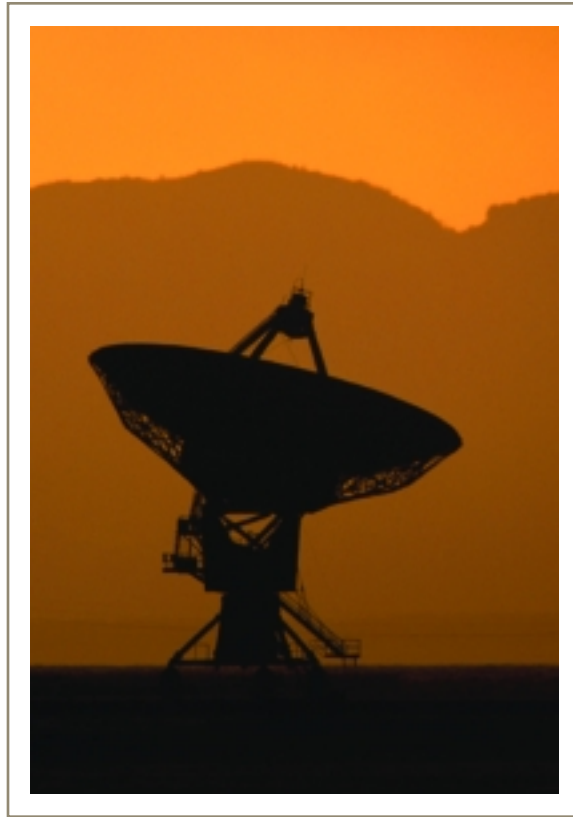
Our efforts remain focused on continuing to implement the vision we had when we started the company — maximizing our opportunities, increasing stockholder value, and achieving long-term growth.

For our customers, our employees and our stockholders, what we have achieved in the past year is far more enduring than stellar financial results. Our performance and ability to withstand 2001's difficult challenges validate our business model and organizational expertise. They prove that Quanta is a company with the management, financial and technological resources to capitalize enormously on the future of the electric power, natural gas, telecommunications and broadband cable television industries.

Sincerely,

  
JOHN R. COLSON  
CHIEF EXECUTIVE OFFICER





# The Power of One

**With a complete range of capabilities assembled to serve vital growing markets using the best available talent, Quanta has built a business that will more than survive economic downturns and industry hiccups.**

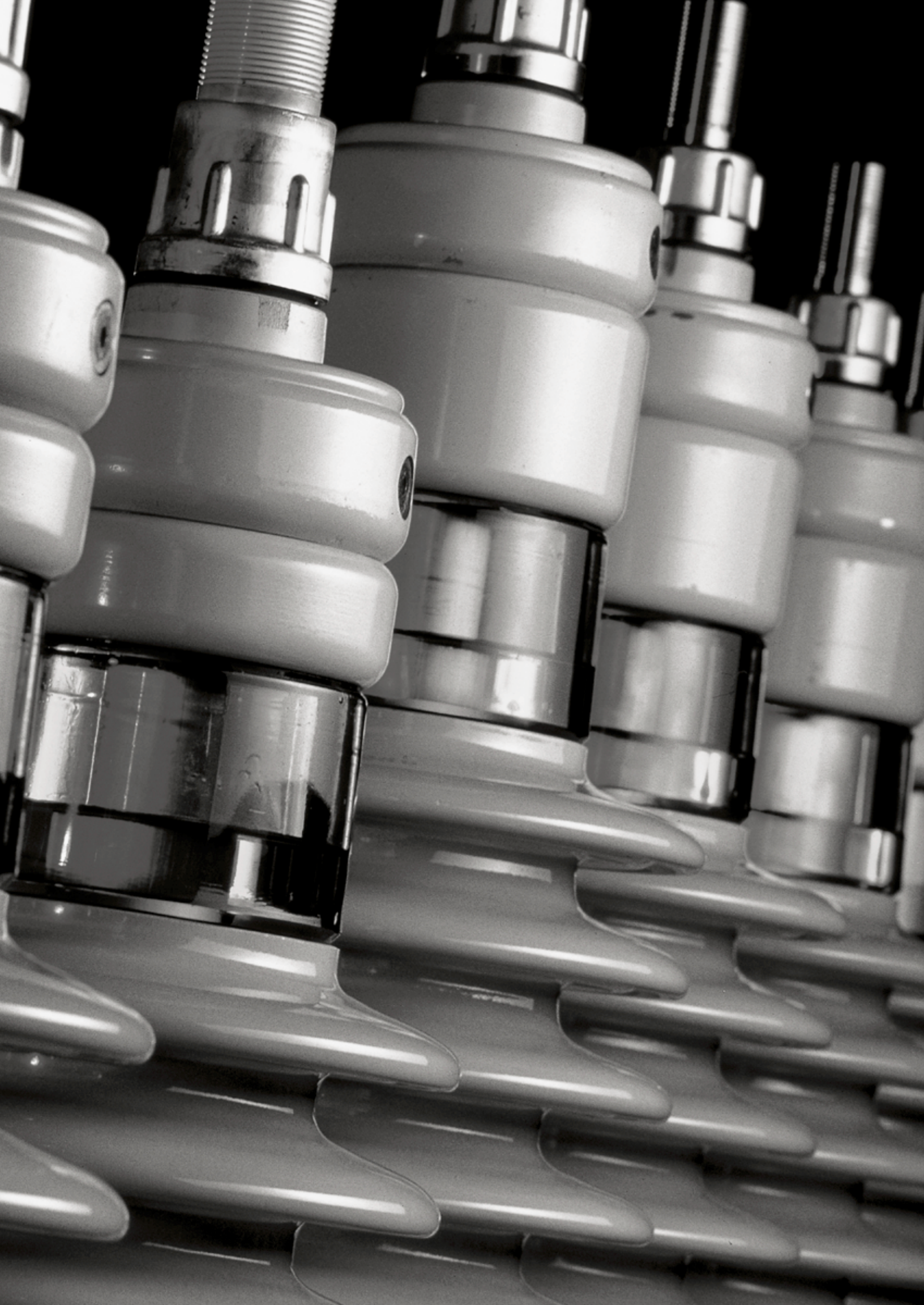
**We have built a company that will grow by offering unique and powerful solutions to a diverse group of customers.**

**We offer a single source for all the contracting services required to design, install, repair or maintain any type of transmission network. No matter what product or service is flowing through the right-of-way.**

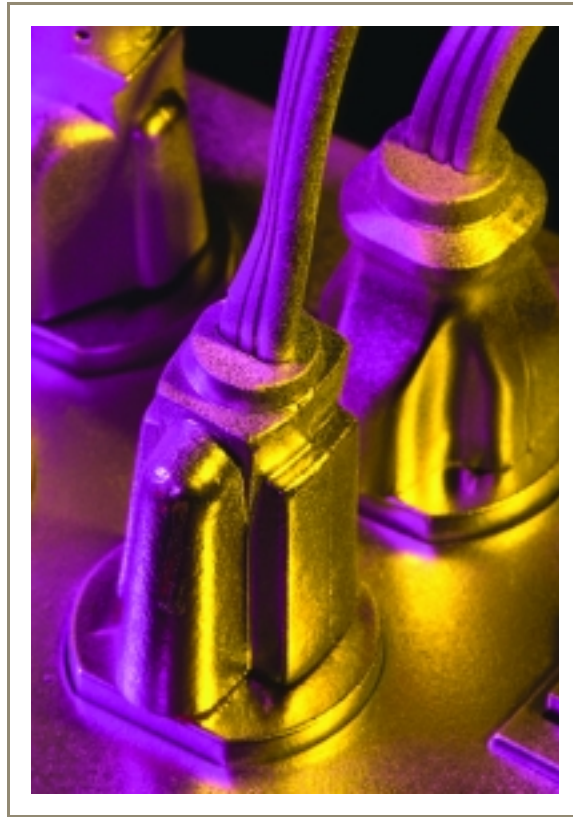
**No matter the scope of the project or the size of the workforce.**

**No matter where in the U.S. the network is located.**





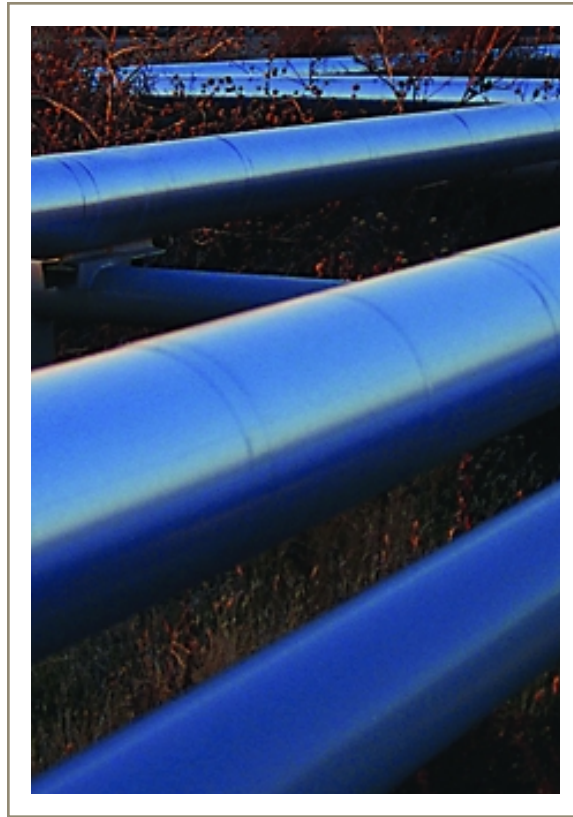




# Everything to make the grid, the pipes and the “net” work

**Designing, installing, repairing and maintaining nationwide network infrastructures requires enormous resources. It takes a wide variety of specialized equipment, vast technological expertise, extensive experience with the electric power grid, specialized knowledge of telecommunications and broadband facilities, and familiarity with the unique maintenance challenges affecting gas pipelines. And it absolutely demands the workforce to complete large-scale projects on schedule, while maintaining readiness to respond to emergency outages.**

**In the breadth of its services, the depth of its expertise and the extent of its geographic coverage, Quanta is unmatched by any company in the United States.**



# Energy and communications are keys to economic progress

**Transmission network infrastructure — the system of wires, pipes, cable and supporting structures that carry electric power, natural gas, and voice and data communications — has assumed growing importance in the last few years. Lives and livelihoods are increasingly dependent on reliable and efficient networks. Meanwhile, powerful economic forces continue to fuel these markets: deregulation, the Internet, wireless communications, the need for bandwidth capacity, and the threats to “business as usual” posed by aging transmission and distribution systems.**

**What all this means is that, in addition to its complete range of services, Quanta has fundamental market forces at its back.**







# The right people and skills to handle any network project

**Our model from the outset has been to recruit and retain the most experienced contractors in the business. Our operating units possess extensive technological expertise, excellent and long-standing relationships with customers, and deeply experienced management.**

**They represent our largest repository of intellectual capital. We supplement their businesses by adding financial and administrative resources, cross-training and cross-selling opportunities, geographic reach and a management structure that is strategically aligned to deliver a comprehensive range of services for a diverse range of customers.**

**Quanta's talented, experienced and knowledgeable workforce ensures our long-term success.**

# Locations

QUANTA SERVICES, INC.  
1360 Post Oak Boulevard, Suite 2100  
Houston, Texas 77056-3023  
Tel: 713.629.7600  
Fax: 713.629.7676

## QUANTA OPERATING UNITS

Advanced Technologies and  
Installation Corp.  
Fife, Washington  
Tel: 253.517.2000

Airlan Telecom Services, L.P.  
Hurst, Texas  
Tel: 817.268.3333

Allteck Line Contractors, Inc.  
Burnaby, British Columbia  
Canada  
Tel: 604.294.8151

Arby Construction, Inc.  
New Berlin, Wisconsin  
Tel: 262.549.1919

Bradford Brothers, Inc.  
Huntersville, North Carolina  
Tel: 704.875.1341

Computapole, Inc.  
Pleasanton, California  
Tel: 925.847.8630

Conti Communications  
Raritan, New Jersey  
Tel: 908.927.0939

Croce Electric Company, Inc.  
Everett, Massachusetts  
Tel: 617.394.0900

Crown Fiber Communications, Inc.  
Suwanee, Georgia  
Tel: 770.271.0005

Dillard Smith Construction Company  
Chattanooga, Tennessee  
Tel: 423.894.4336

Driftwood Electric Contractors, Inc.  
Lancaster, Kentucky  
Tel: 606.365.3172

Edwards Pipeline Company, Inc.  
Denver, North Carolina  
Tel: 704.483.0900

Environmental Professional  
Associates, Limited  
Yuba City, California  
Tel: 530.790.7270

GEM Engineering Co., Inc.  
Houston, Texas  
Tel: 713.339.1550

Golden State Utility Co., Inc.  
Turlock, California  
Tel: 209.634.4981

H.L. Chapman Companies  
Leander, Texas  
Tel: 512.259.7662

Haines Construction Company  
Woodward, Oklahoma  
Tel: 580.256.2205

Harker & Harker, Inc.  
Reno, Nevada  
Tel: 775.329.0407

Intermountain Electric, Inc.  
Denver, Colorado  
Tel: 303.733.7248

IRBY Construction Company  
Jackson, Mississippi  
Tel: 601.709.4729

Logical Link  
Hurst, Texas  
Tel: 817.268.3333

Manuel Bros., Inc.  
Grass Valley, California  
Tel: 530.272.4213

Mears Group, Inc.  
Rosebush, Michigan  
Tel: 989.433.2929

Netcom Management Group, Inc.  
Phoenix, Arizona  
Tel: 602.470.4070

Network Communications Services, Inc.  
Duarte, California  
Tel: 626.357.3494

Network Electric Company  
Reno, Nevada  
Tel: 775.850.9100

North Houston Pole Line, Inc.  
Houston, Texas  
Tel: 713.691.3616

North Sky Communications  
Vancouver, Washington  
Tel: 360.254.6920

Northern Line Layers, Inc.  
Billings, Montana  
Tel: 406.652.1759

P.D.G. Electric Company  
Bradenton, Florida  
Tel: 941.756.1311

Pac West Construction, Inc.  
Santa Ana, California  
Tel: 714.430.6020

PAR Electrical Contractors, Inc.  
Kansas City, Missouri  
Tel: 816.474.9340

Parkside Utility Construction Co., Inc.  
Johnston, Rhode Island  
Tel: 401.351.6681

Potelco, Inc.  
Sumner, Washington  
Tel: 253.863.0484

Professional Technology, Inc.  
Norwich, New York  
Tel: 607.336.1689

R.A. Waffensmith & Company, Inc.  
Franktown, Colorado  
Tel: 303.688.1995

Ranger Directional, Inc.  
Broussard, Louisiana  
Tel: 337.837.5447

Riggin & Diggin Construction, Inc.  
AuSable Forks, New York  
Tel: 518.647.8198

Seaward Corporation  
Kittery, New Hampshire  
Tel: 207.439.5900

Southeast Pipeline  
Jasper, Georgia  
Tel: 706.692.9112

Spalj Construction Company  
Deerwood, Minnesota  
Tel: 218.546.6022

Sumter Utilities, Inc.  
Sumter, South Carolina  
Tel: 803.469.8585

Line Equipment Sales Co., Inc.  
Charleston, South Carolina  
Tel: 843.722.3306

Telecom Network Specialists, Inc.  
Fife, Washington  
Tel: 253.517.2000

The Ryan Company, Inc.  
Rockland, Massachusetts  
Tel: 781.878.2800

Tom Allen Construction Company  
Edwardsville, Illinois  
Tel: 618.656.3059

TRANS TECH Electric, LP  
South Bend, Indiana  
Tel: 574.272.9673

Trawick Construction Company, Inc.  
Chipley, Florida  
Tel: 850.638.0429

TTM, Inc.  
Charlotte, North Carolina  
Tel: 704.335.1624

TVS Systems, Inc.  
Midvale, Utah  
Tel: 801.256.0100

Underground Construction Co., Inc.  
Benicia, California  
Tel: 707.746.8800

Utilco, Inc.  
Tifton, Georgia  
Tel: 229.386.2089

VCI Telcom, Inc.  
Upland, California  
Tel: 909.946.0905

West Coast Communications, Inc.  
Upland, California  
Tel: 909.949.1350

For more information, visit our website: [www.quantaservices.com](http://www.quantaservices.com)



- Headquarters
- Quanta Operating Units

# Selected Financial Data

IN THOUSANDS, EXCEPT PER SHARE INFORMATION

YEAR ENDED DECEMBER 31,	2001	2000
Revenues	\$ 2,014,877	\$ 1,793,301
Cost of services	1,601,039	1,379,204
Gross profit	413,838	414,097
Selling, general & administrative expenses	194,575	172,130
Goodwill amortization	25,998	19,805
Income from operations	193,265	222,162
Interest expense	(36,072)	(25,708)
Other, net	(227)	2,597
Income before income tax provision	156,966	199,051
Provision for income taxes	71,200	93,328
Net income	85,766	105,723
Dividends on preferred stock	930	930
Net income attributable to common stock	\$ 84,836	\$ 104,793
Basic earnings per share	\$ 1.11	\$ 1.50
Diluted earnings per share	\$ 1.10	\$ 1.42
Diluted earnings per share before special charges*	\$ 1.27	\$ 1.72
Shares used in computing earnings per share:		
Basic	77,256	70,452
Diluted	78,238	76,583

Revenues (in millions)		Earnings per Share**		Cash Flow from Operations (in millions)	
2001	\$2,014.9	2001	\$1.27	2001	\$210.0
2000	\$1,793.3	2000	\$1.72	2000	\$45.4
1999	\$925.7	1999	\$1.13	1999	\$46.3
1998	\$319.3	1998	\$0.60	1998	\$8.2
1997	\$80.0	1997	\$0.29	1997	\$5.3

\* See Management's Discussion and Analysis in the Form 10-K for further description of special charges.

\*\* Diluted earnings per share before special charges



## DIRECTORS

**James R. Ball** <sup>1, 2, 3</sup>  
Private Investor

**John R. Colson**  
Chief Executive Officer, Quanta Services, Inc.

**Terrence P. Dunn** <sup>1</sup>  
President and Chief Executive Officer, J.E. Dunn  
Construction

**Vincent D. Foster** <sup>2, 3</sup>  
Chairman, Quanta Services, Inc.  
Managing Director, Main Street Equity Ventures II, LP

**Louis C. Golm** <sup>2, 3</sup>  
Private Investor

**Robert K. Green**  
President and Chief Executive Officer, Aquila, Inc.

**Jerry J. Langdon** <sup>1, 2</sup>  
President, El Paso Gas Texas Pipeline L.P.

**Gary A. Tucci**  
Senior Vice President, Quanta Services, Inc.  
President, Potelco, Inc.

**John R. Wilson**  
Senior Vice President, Quanta Services, Inc.  
President, PAR Electrical Contractors, Inc.

## TRANSFER AGENT

American Stock  
Transfer & Trust Co.  
59 Maiden Lane, Plaza Level  
New York, New York 10038  
718.921.8200

## AUDITORS

Arthur Andersen LLP  
711 Louisiana Street, Suite 1300  
Houston, Texas 77002-2786  
713.237.2323

## INVESTOR RELATIONS

James H. Haddox  
Quanta Services, Inc.  
713.629.7600  
713.629.7676 Fax

Kenneth S. Dennard  
Easterly Investor Relations  
713.529.6600  
713.529.9989 Fax  
kdennard@easterly.com

[www.quantaservices.com](http://www.quantaservices.com)

<sup>1</sup> Audit Committee

<sup>2</sup> Compensation Committee

<sup>3</sup> Nominating Committee

## OFFICERS

**John R. Colson**<sup>\*</sup>  
Chief Executive Officer

**James H. Haddox**<sup>\*</sup>  
Chief Financial Officer

**Peter T. Dameris**<sup>\*</sup>  
Executive Vice President and  
Chief Operating Officer

**Elliott C. Robbins**<sup>\*</sup>  
Senior Vice President-Operations

**Dana A. Gordon**<sup>\*</sup>  
Vice President, Secretary and General Counsel

**Derrick A. Jensen**<sup>\*</sup>  
Vice President, Controller and  
Chief Accounting Officer

**James F. O'Neil III**<sup>\*</sup>  
Vice President-Operations Integration

**Nicholas M. Grindstaff**<sup>\*</sup>  
Treasurer

**Luke T. Spalj**<sup>\*</sup>  
Senior Vice President

**Gary A. Tucci**<sup>\*</sup>  
Regional Vice President

**John R. Wilson**<sup>\*</sup>  
Senior Vice President

**Fred M. Haag**<sup>\*</sup>  
Senior Vice President

**Gary W. Smith**<sup>\*</sup>  
Senior Vice President

**Donald G. Bottrell**  
Regional Vice President

**J. R. Spalj**  
Regional Vice President

**Eric P. Burrell**  
Regional Vice President

**Lynn E. Barr**  
Regional Vice President

**Sam Bowen**  
Regional Vice President

**Stephen K. Cassetta**  
Vice President-Operations

**Richard W. Greene**  
Vice President-Business Development

**Kenneth W. Trawick**  
Vice President-Enterprise Initiatives

**Hobart B. Pillsbury**  
Vice President-Information Technology

\*Officers subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934.



**QUANTA SERVICES, INC.**  
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**Houston, Texas 77056-3023**  
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