UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NO. 001-13831

QUANTA SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	74-2851603
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1360 POST OAK BLVD.
SUITE 2100
HOUSTON, TEXAS 77056
(Address of principal executive offices)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(713) 629-7600

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

59,605,129 shares of Common Stock were outstanding as of November 9, 2001. As of the same date, 1,152,055 shares of Limited Vote Common Stock were outstanding.

QUANTA SERVICES, INC. AND SUBSIDIARIES

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QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE INFORMATION)

<Table>
<Caption>

<S>	DECEMBER 31, 2000 <C>	SEPTEMBER 30, 2001 (UNAUDITED) <C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,306	$ 2,779
Accounts receivable, net of allowance of $15,612 and $34,642	466,869	522,110
Costs and estimated earnings in excess of billings on uncompleted contracts	71,842	74,712
Inventories	19,874	23,085
Deferred income taxes and other current assets	26,516	41,745
Total current assets	602,407	664,431
PROPERTY AND EQUIPMENT, net	341,029	387,392
OTHER ASSETS, net	24,627	20,409
GOODWILL, net	906,031	1,034,564
Total assets	$1,874,094	$2,106,796
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 8,772	$ 8,309
Accounts payable and accrued expenses	215,684	225,729
Billings in excess of costs and estimated earnings on uncompleted contracts	27,981	28,027
Total current liabilities	252,437	262,065
LONG-TERM DEBT, net of current maturities	318,602	406,448
CONVERTIBLE SUBORDINATED NOTES	172,500	172,500
DEFERRED INCOME TAXES AND OTHER NON-CURRENT LIABILITIES	61,599	78,232
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred Stock, $.00001 par value, 10,000,000 shares authorized:		
Series A Convertible Preferred Stock, 3,444,961 shares issued and outstanding	--	--
Common Stock, $.00001 par value, 300,000,000 shares authorized, 56,400,546 and 59,888,977 shares issued and outstanding, respectively	--	--
Limited Vote Common Stock, $.00001 par value, 3,345,333 shares authorized, 1,765,912 and 1,284,066 shares issued and outstanding, respectively	--	--
Additional paid-in capital	882,344	944,635
Retained earnings	186,612	258,223
Treasury Stock, at cost, -- and 986,000 common shares, respectively	--	(15,307)
Total stockholders' equity	1,068,956	1,187,551
Total liabilities and stockholders' equity	$1,874,094	$2,106,796

</Table>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE INFORMATION)
(UNAUDITED)

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	2001	2000	2001
<S>	<C>	<C>	<C>	<C>
REVENUES	$487,845	$504,472	$1,245,108	$1,526,832
COST OF SERVICES (including depreciation)	368,462	394,249	954,408	1,196,903
Gross profit	119,383	110,223	290,700	329,929
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	36,040	45,281	99,506	147,809
GOODWILL AMORTIZATION	5,337	6,569	14,164	19,426
Income from operations	78,006	58,373	177,030	162,694
OTHER INCOME (EXPENSE):				
Interest expense	(6,928)	(9,046)	(17,871)	(27,412)
Other, net	816	57	2,203	(502)
INCOME BEFORE INCOME TAX PROVISION	71,894	49,384	161,362	134,780
PROVISION FOR INCOME TAXES	31,202	23,061	70,031	62,471
NET INCOME	40,692	26,323	91,331	72,309
DIVIDENDS ON PREFERRED STOCK	234	234	698	698
NET INCOME ATTRIBUTABLE TO COMMON STOCK	$ 40,458	$ 26,089	$ 90,633	$ 71,611
BASIC EARNINGS PER SHARE	$ .55	$ .34	$ 1.32	$ .94
DILUTED EARNINGS PER SHARE	$ .53	$ .34	$ 1.23	$ .92
SHARES USED IN COMPUTING EARNINGS PER SHARE:				
Basic	73,685	77,552	69,057	76,941
Diluted	78,696	78,206	75,571	78,184

</Table>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	2001	2000	2001
<S>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income attributable to common stock	$ 40,458	$ 26,089	$ 90,633	$ 71,611
Adjustments to reconcile net income attributable to common stock to net cash provided by (used in) operating activities --				
Depreciation and amortization	14,972	20,397	40,377	58,555
(Gain) loss on sale of property and equipment	(249)	96	(192)	851
Deferred income tax provision	3,652	4,388	5,998	487
Preferred stock dividend	234	234	698	698
Changes in operating assets and liabilities, net of non-cash transactions --				
(Increase) decrease in --				
Accounts receivable, net	(29,173)	(27,370)	(96,164)	(40,457)
Costs and estimated earnings in excess of billings on uncompleted contracts	(10,811)	3,418	(11,419)	(1,982)
Inventories	(3,436)	2,325	(6,680)	(1,687)
Prepaid expenses and other current assets	(156)	(3,201)	37	412
Increase (decrease) in --				
Accounts payable and accrued expenses	3,171	(24,765)	14,735	(102)
Billings in excess of costs and estimated earnings on uncompleted contracts	3,990	(6,104)	3,823	(46)
Other, net	(438)	(302)	(375)	(1,764)
Net cash provided by (used in) operating activities	22,214	(4,795)	41,471	86,576
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of property and equipment	301	739	1,186	2,650

Additions of property and equipment	(21,881)	(18,443)	(65,203)	(72,800)
Cash paid for acquisitions, net of cash acquired	(128,827)	(31,267)	(214,486)	(113,719)
Notes receivable	--	--	--	2,658
Net proceeds from sale of business	--	--	2,410	--
Net cash used in investing activities	(150,407)	(48,971)	(276,093)	(181,211)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net borrowings (payments) under bank lines of credit	(85,760)	66,580	(138,946)	93,700
Proceeds from other long-term debt	232,588	422	384,270	1,992
Payments on other long-term debt	(5,984)	(2,822)	(23,059)	(14,727)
Debt issuance costs	(5,854)	--	(7,958)	--
Issuances of stock, net of offering costs	8,696	4,623	18,069	8,721
Purchase of treasury stock	--	(15,307)	--	(15,307)
Exercise of stock options	429	277	9,766	5,729
Net cash provided by financing activities	144,115	53,773	242,142	80,108
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,922	7	7,520	(14,527)
CASH AND CASH EQUIVALENTS, beginning of period	2,373	2,772	10,775	17,306
CASH AND CASH EQUIVALENTS, end of period	$ 18,295	$ 2,779	$ 18,295	$ 2,779
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for --				
Interest	$ 6,207	$ 15,429	$ 13,453	$ 32,803
Income taxes	20,814	28,019	58,069	34,194

</Table>

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

QUANTA SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BUSINESS AND ORGANIZATION:

Quanta Services, Inc. is a leading provider of specialized contracting services, offering end-to-end network solutions to the electric power, telecommunications and cable television industries. Our comprehensive services include designing, installing, repairing and maintaining network infrastructure. Reference herein to the "Company" includes Quanta and its subsidiaries. The consolidated financial statements of the Company include the accounts of Quanta and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Since its inception and through 2000, Quanta acquired 77 businesses. The Company has acquired seven additional businesses through September 30, 2001 for an aggregate consideration of approximately 2.1 million shares of common stock and $112.3 million in cash. The Company intends to continue to acquire, through merger or purchase, similar companies to expand its national and regional operations.

In the course of its operations, the Company is subject to certain risk factors, including but not limited to: rapid technological and structural changes in the industries the Company serves, risks related to internal growth and operating strategies, risks associated with an economic downturn, the collectibility of receivables, risks related to acquisition financing and integration, significant fluctuations in quarterly results, risks associated with contracts, management of growth, dependence on key personnel, availability of qualified employees, unionized workforce, competition, recoverability of goodwill, potential exposure to environmental liabilities and anti-takeover measures.

The board of directors of the Company has authorized a Stock Repurchase Plan under which up to $75 million of the Company's common stock may be repurchased. Under the Stock Repurchase Plan, the Company may conduct purchases through open market transactions in accordance with applicable securities laws, and through November 9, 2001, the Company has repurchased 986,000 shares of common stock for $15.3 million. The amount of shares purchased and the timing of any purchases will be based on a number of factors, including the number of shares needed for replenishment of employee benefit plans, the market price of the stock, market conditions and as the Company's management deems appropriate.

Interim Condensed Consolidated Financial Information

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the SEC. Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information

presented not misleading. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to fairly present the financial position, results of operations and cash flows with respect to the interim consolidated financial statements have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. The results of the Company have historically been subject to significant seasonal fluctuations.

It is suggested that these condensed consolidated financial statements be read in conjunction with the audited financial statements and notes thereto of Quanta Services, Inc. and subsidiaries included in the Company's Annual Report on Form 10-K, which was filed with the SEC on April 2, 2001.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the

financial statements are published and (iii) the reported amount of net revenues and expenses recognized during the periods presented. The Company reviews all significant estimates affecting its consolidated financial statements on a recurring basis and records the effect of any necessary adjustments prior to their publication. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements. The accompanying consolidated balance sheets include preliminary allocations of the respective purchase price paid for the companies acquired during the latest 12 months using the "purchase" method of accounting and, accordingly, are subject to final adjustment.

Self-Insurance

The Company is insured for workers' compensation, employer's liability, auto liability and general liability claims, subject to a deductible of $500,000 per accident or occurrence. Losses up to the deductible amounts are accrued based upon the Company's estimates of the ultimate liability for claims incurred and an estimate of claims incurred but not reported. The accruals are based upon known facts and historical trends and management believes such accruals to be adequate.

2. PER SHARE INFORMATION:

Earnings per share amounts are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the period. The weighted average number of shares used to compute basic and diluted earnings per share for the three and nine months ended September 30, 2000 and 2001 is illustrated below (in thousands):

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	2001	2000	2001
<S>	<C>	<C>	<C>	<C>
NET INCOME:				
Net income attributable to common stock......	$40,458	$26,089	$90,633	$71,611
Dividends on Preferred Stock................	234	234	698	698
Net income for basic earnings per share......	40,692	26,323	91,331	72,309
Effect of convertible subordinated notes under the "if converted" method --interest expense addback, net of taxes............	847	--	1,838	--
Net income for diluted earnings per share....	$41,539	$26,323	$93,169	$72,309
WEIGHTED AVERAGE SHARES:				
Weighted average shares outstanding for basic earnings per share, including convertible Preferred Stock..........................	73,685	77,552	69,057	76,941
Effect of dilutive stock options............	2,529	654	2,459	1,243
Effect of convertible subordinated notes under the "if converted" method -- weighted convertible shares issuable................................	2,482	--	4,055	--

Weighted average shares outstanding for diluted earnings per share................	78,696	78,206	75,571	78,184
	=======	=======	=======	=======

</Table>

Pursuant to EITF Topic D-95, "Effect of Participating Convertible Securities on the Computation of Basic Earnings Per Share," the impact of the Series A Convertible Preferred Stock has been included in the

computation of basic earnings per share and prior period amounts have been restated accordingly. For the three and nine months ended September 30, 2000, there were approximately 0.4 million and 0.2 million stock options, respectively, excluded from the computation because the options' exercise prices were greater than the average market price of the Company's common stock. For the three and nine months ended September 30, 2001, stock options of approximately 5.5 million and 2.4 million, respectively, were excluded from the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the Company's common stock. For the three and nine months ended September 30, 2001 the effect of assuming conversion of the convertible subordinated notes would be antidilutive and they were therefore excluded from the calculation of diluted earnings per share.

3. INCOME TAXES:

Certain of the businesses the Company has acquired were S corporations for income tax purposes and, accordingly, any income tax liabilities for the periods prior to the acquisitions are the responsibility of the respective stockholders. Effective with the acquisitions, the S corporations converted to C corporations. Accordingly, an estimated deferred tax liability has been recorded to provide for the estimated future income tax liability as a result of the difference between the book and tax bases of the net assets of these former S corporations. For purposes of these consolidated financial statements, federal and state income taxes have been provided for the post-acquisition periods.

4. NEW ACCOUNTING PRONOUNCEMENTS:

In July 2001, the Financial Accounting Standards Board (the FASB) issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires that all business combinations initiated after June 30, 2001, be accounted for using the purchase method. The FASB also issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill be assessed at least annually for impairment by applying a fair-value based test. Goodwill will no longer be subject to amortization over its estimated useful life. In addition, acquired intangible assets are required to be recognized and amortized over their useful lives if the benefit of the asset is based on contractual or legal rights. While most provisions of SFAS No. 142 are effective for the Company beginning January 1, 2002, goodwill and intangible assets acquired after June 30, 2001, are subject immediately to the non-amortization and amortization provisions of the statement, respectively. The Company is currently analyzing the provisions of SFAS No. 142 and has not yet made a determination of the impact the adoption will have on the consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment/Disposal of Long-Lived Assets." SFAS No. 144 addresses the financial accounting and reporting for the impairment of disposal of long-lived assets. The Company is required to and will adopt SFAS No. 144 on January 1, 2002 and believes that the adoption will not have a material effect on its consolidated results of operations or financial position.

5. DEBT:

Credit Facility

The Company currently has a $350.0 million credit facility with 14 participating banks. The credit facility is secured by a pledge of all of the capital stock of the Company's subsidiaries and the majority of the Company's assets and is to provide funds to be used for working capital, to finance acquisitions and for other general corporate purposes. Amounts borrowed under the credit facility bear interest at a rate equal to either (a) the London Interbank Offered Rate (the 30 day LIBOR rate was 2.69% at September 30, 2001) plus 1.00% to 2.00%, as determined by the ratio of the Company's total funded debt to EBITDA (as defined in the credit facility) or (b) the bank's prime rate (which was 6.00% at September 30, 2001) plus up to 0.25%, as determined by the ratio of the Company's total funded debt to EBITDA. Commitment fees of 0.25% to 0.50%

(based on certain financial ratios) are due on any unused borrowing capacity under the credit facility. The credit facility matures June 14, 2004. The Company's subsidiaries guarantee the repayment of all amounts due under the facility and the facility restricts pledges on all material assets. The credit facility contains usual and customary covenants for a credit facility of this nature including the prohibition of the payment of dividends on common stock, certain financial ratios and indebtedness covenants and the consent of the lenders for acquisitions exceeding a certain level of cash consideration. As of September 30, 2001, $186.6 million was borrowed under the credit facility, and the Company had $39.6 million of letters of credit outstanding, resulting in a borrowing availability of $123.8 million under the credit facility.

Senior Secured Notes

In March 2000, the Company closed a private placement of $150.0 million principal amount of senior secured notes primarily with insurance companies. In September 2000, the Company issued an additional $60.0 million principal amount of senior secured notes. The resulting $210.0 million of senior secured notes have maturities ranging from five to ten years with a weighted average interest rate of 8.41% and, pursuant to an intercreditor agreement, rank equally in right of repayment with indebtedness under the Company's credit facility. The senior secured notes have financial covenants similar to the credit facility. Proceeds from this private placement were used to reduce outstanding borrowings under the credit facility.

Convertible Subordinated Notes

On July 19, 2000 the Company issued $150.0 million principal amount of convertible subordinated notes and, on August 7, 2000, the Company issued an additional $22.5 million principal amount of convertible subordinated notes due to the exercise of the underwriters' over-allotment option. Net proceeds from the offering were used to repay outstanding indebtedness under the credit facility. The convertible subordinated notes bear interest at 4.0% per year and are convertible into shares of the Company's common stock at a price of $54.53 per share. The convertible subordinated notes require semi-annual interest payments beginning December 31, 2000, until the notes mature on July 1, 2007. The Company has the option to redeem the notes beginning July 3, 2003.

6. SERIES A CONVERTIBLE PREFERRED STOCK:

In September 1999, the Company entered into a securities purchase agreement with UtiliCorp pursuant to which the Company issued 1,860,000 shares of Series A Convertible Preferred Stock, $.00001 par value per share, for an initial investment of $186.0 million, before transaction costs. In September 2000, UtiliCorp converted 7,924,805 shares of common stock into an additional 1,584,961 shares of Series A Convertible Preferred Stock at a rate of one share of Series A Convertible Preferred Stock for five shares of common stock. The holders of the Series A Convertible Preferred Stock are entitled to receive dividends in cash at a rate of 0.5% per annum on an amount equal to $53.99 per share, plus all unpaid dividends accrued. In addition to the preferred dividend, the holders are entitled to participate in any cash or non-cash dividends or distributions declared and paid on the shares of common stock, as if each share of Series A Convertible Preferred Stock had been converted into common stock at the applicable conversion price immediately prior to the record date for payment of such dividends or distributions. However, holders of Series A Convertible Preferred Stock will not participate in non-cash dividends or distributions if such dividends or distributions cause an adjustment in the price at which Series A Convertible Preferred Stock converts into common stock. At any time after the sixth anniversary of the original issuance of the Series A Convertible Preferred Stock, if the closing price per share of the Company's common stock is greater than $20.00, then the Company may terminate the preferred dividend. At any time after the sixth anniversary of the original issuance of the Series A Convertible Preferred Stock, if the closing price per share of the Company's common stock is equal to or less than $20.00, then the preferred dividend may, at the option of UtiliCorp, be adjusted to the then

"market coupon rate," which shall equal the Company's after-tax cost of obtaining financing, excluding common stock, to replace UtiliCorp's investment in the Company.

UtiliCorp is entitled to that number of votes equal to the number of shares of common stock into which the outstanding shares of Series A Convertible Preferred Stock are then convertible. Subject to certain limitations, UtiliCorp is entitled to elect three of the total number of directors of the Company. All or any portion of the outstanding shares of Series A Convertible Preferred Stock may, at the option of UtiliCorp, be converted at any time into fully paid and non-assessable shares of common stock. The conversion price currently is $20.00, yielding 17,224,805 shares of common stock upon conversion of all outstanding shares of Series A Convertible Preferred Stock. The conversion price may be adjusted under certain circumstances.

7. SEGMENT INFORMATION:

The Company operates in one reportable segment as a specialty contractor. The Company provides comprehensive network solutions to the electric power, telecommunications and cable television industries, including designing, installing, repairing and maintaining network infrastructure. Each of these services is provided by various Company subsidiaries and discrete financial information is not provided to management at the service level. The following table presents information regarding revenues derived from the industries noted above.

<Table>
<Caption>

	NINE MONTHS ENDED SEPTEMBER 30,	
	2000	2001
	(IN THOUSANDS)	
<S>	<C>	<C>
Electric power network services............................	$ 349,260	$ 578,669
Telecommunications network services.........................	525,536	488,586
Cable television network services..........................	204,994	212,230
Ancillary services...	165,318	247,347
	$1,245,108	$1,526,832

</Table>

The Company does not have significant operations or long-lived assets in countries outside of the United States.

8. RELATED PARTY TRANSACTIONS:

In September 1999, the Company entered into a strategic alliance agreement with UtiliCorp. Under the terms of the strategic alliance agreement, UtiliCorp will use the Company, subject to the Company's ability to perform the required services, as a preferred contractor in outsourced transmission and distribution infrastructure installation and maintenance and natural gas distribution installation and maintenance in all areas serviced by UtiliCorp, provided that the Company provides such services at a competitive cost. The strategic alliance agreement has a term of six years.

The Company entered into a management services agreement in September 1999 with UtiliCorp for advice and services including financing activities; corporate strategic planning; research on the restructuring of the electric power industry; the development, evaluation and marketing of the Company's products, services and capabilities; identification of and evaluation of potential U.S. acquisition candidates and other merger and acquisition advisory services; and other services that the Company may reasonably request. The management services agreement required the Company to make quarterly payments to UtiliCorp of $2,325,000 through September 30, 2005. In December 2000, the Company agreed to conclude its obligations under the management services agreement with UtiliCorp in exchange for a one-time payment to UtiliCorp of approximately $28.6 million.

Management believes transactions with related parties were under terms no less favorable to the Company than those arranged with other parties.

In September 2001, UtiliCorp announced that it intended to purchase a sufficient number of shares of the Company's common stock to enable UtiliCorp to consolidate the Company's financial statements with its own financial statements. In October and November 2001, the Company engaged in discussions with UtiliCorp and entered into a series of standstill agreements with UtiliCorp that impose restrictions with respect to the purchase of Company common stock by UtiliCorp and the adoption of any takeover defense measures by the Company. The most recent extension of the agreement expired on November 13, 2001.

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

INTRODUCTION

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. Except for the historical financial information contained herein, the matters discussed in this Quarterly Report on Form 10-Q may be considered "forward-looking" statements within the meaning of

Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements include declarations regarding our intent, belief or current expectations, statements regarding the future results of acquired companies and our gross margins. Any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are the risk factors identified in our Annual Report on Form 10-K, which was filed with the SEC on April 2, 2001, which is available at the SEC's Web site at www.sec.gov.

We derive our revenues from one reportable segment by providing specialized contracting services and offering comprehensive network solutions. Our customers include electric power, telecommunications and cable television companies, as well as commercial, industrial and governmental entities.

We enter into contracts principally on the basis of competitive bids, the final terms and prices of which we frequently negotiate with the customer. Although the terms of our contracts vary considerably, most are made on either a fixed price or unit price basis in which we agree to do the work for a fixed amount for the entire project (fixed price) or for units of work performed (unit price). We also perform services on a cost-plus or time and materials basis. We are generally able to achieve higher margins on fixed price and unit price contracts than on cost-plus contracts as a result of our experience in bidding and performance. Our exposure to loss on fixed price contracts has historically been limited by the high volume and relatively short duration of the fixed price contracts we undertake. However, as we perform larger projects, our reported margins may be significantly affected by actual results on these projects.

We complete most installation projects within one year, while we frequently provide maintenance and repair work under open-ended, unit price master service agreements which are renewable annually. We generally recognize revenue when services are performed except when work is being performed under fixed price contracts. We typically record revenues from fixed price contracts on a percentage-of-completion basis, using the cost-to-cost method based on the percentage of total costs incurred to date in proportion to total estimated costs to complete the contract. Some of our customers require us to post performance and payment bonds upon execution of the contract, depending upon the nature of the work to be performed. Our fixed price contracts often include payment provisions pursuant to which the customer withholds a 5% to 10% retainage from each progress payment and remits the retainage to us upon completion and approval of the work.

Cost of services consists primarily of salaries, wages and benefits to employees, depreciation, fuel and other vehicle expenses, equipment rentals, subcontracted services, insurance, facilities expenses, materials and parts and supplies. Our gross margin, which is gross profit expressed as a percentage of revenues, is typically higher on projects where labor, rather than materials, constitutes a greater portion of the cost of services. We can predict material costs more accurately than labor costs. Therefore, to compensate for the potential variability of labor costs, we seek to maintain higher margins on our labor-intensive projects. Certain of our subsidiaries were previously subject to deductibles ranging from $100,000 to $1,000,000 for workers' compensation insurance. Currently, we have a deductible of $500,000 per occurrence related to workers' compensation, automobile and general liability claims. Fluctuations in insurance accruals related to these deductibles could have an impact on gross margins in the period in which such adjustments are made. Selling, general and administrative expenses consist primarily of compensation and related benefits to management, administrative salaries and benefits, marketing, office rent and utilities, communications and professional fees.

RESULTS OF OPERATIONS

The following table sets forth selected unaudited statements of operations data and such data as a percentage of revenues for the periods indicated:

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,				NINE MONTHS ENDED SEPTEMBER 30,			
	2000		2001		2000		2001	
	(DOLLARS IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues....................	$487,845	100.0%	$504,472	100.0%	$1,245,108	100.0%	$1,526,832	100.0%
Cost of services (including depreciation)............	368,462	75.5	394,249	78.2	954,408	76.7	1,196,903	78.4
Gross profit.......	119,383	24.5	110,223	21.8	290,700	23.3	329,929	21.6
Selling, general and administrative expenses...	36,040	7.4	45,281	8.9	99,506	8.0	147,809	9.7
Goodwill amortization.......	5,337	1.1	6,569	1.3	14,164	1.1	19,426	1.3

Income from operations.......	78,006	16.0	58,373	11.6	177,030	14.2	162,694	10.6
Interest expense............	(6,928)	(1.4)	(9,046)	(1.8)	(17,871)	(1.4)	(27,412)	(1.8)
Other income, net...........	816	0.1	57	--	2,203	0.1	(502)	--
Income before income tax provision.................	71,894	14.7	49,384	9.8	161,362	12.9	134,780	8.8
Provision for income taxes.....................	31,202	6.4	23,061	4.6	70,031	5.6	62,471	4.1
Net income.........	$ 40,692	8.3%	$ 26,323	5.2%	$ 91,331	7.3%	$ 72,309	4.7%

</Table>

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001, COMPARED TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2000

Revenues. Revenues increased $16.6 million and $281.7 million, or 3.4% and 22.6%, to $504.5 million and $1.53 billion for the three and nine months ended September 30, 2001. This increase was primarily attributable to revenues of $32.9 million and $103.6 million for the three and nine months ended September 30, 2001 from platform companies acquired subsequent to September 30, 2000 which continued to exist as separate reporting subsidiaries, a full period of contributed revenues for the three and nine months ended September 30, 2001 for those companies acquired through September 30, 2000 and strong growth in electric power and gas revenues as a result of increased outsourcing and deregulation. The increase has been partially offset by decreased revenues from telecommunications customers due in part to the continued inability of certain of these customers to raise new capital and the overall downturn in the national economy, which have negatively impacted the contracting for telecommunications services.

Gross profit. Gross profit decreased $9.2 million or 7.7% to $110.2 million for the three months ended September 30, 2001. As a percentage of revenues, gross margin decreased from 24.5% for the three months ended September 30, 2000, to 21.8% for the three months ended September 30, 2001. Gross profit increased $39.2 million or 13.5%, to $329.9 million for the nine months ended September 30, 2001. Gross margin decreased from 23.3% for the nine months ended September 30, 2000, to 21.6% for the nine months ended September 30, 2001. The decrease in gross margins for both the three and nine months ended September 30, 2001 resulted from lower margins on work performed for telecommunications customers due to increased pricing pressures, lower asset utilization and the economic factors noted above, partially offset by higher margins received on work performed for electric power customers. For the nine months ended September 30, 2001, margins were additionally impacted by poor weather conditions experienced during the first quarter of 2001.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $9.2 million and $48.3 million, or 25.6% and 48.5%, to $45.3 million and $147.8 million for the three and nine months ended September 30, 2001. Of this increase, $3.0 million and $7.5 million, respectively, was attributable to the platform companies we acquired subsequent to September 30, 2000. Selling, general and

administrative expenses also included a full period of costs in 2001 associated with those companies acquired during the first nine months of 2000. For the nine months ended September 30, 2001, selling, general and administrative expenses reflect $19.4 million in charges including: a charge of $16.2 million to provide allowances for accounts receivable risk associated with the continued decline in the financial strength of certain customers in the telecommunications industry and $3.2 million in charges associated with the realignment of field personnel and discontinuance of negotiations regarding the acquisition of certain telecommunications contractors. The remainder of the increase was attributable to tuck-in acquisitions and the continued establishment of infrastructure to facilitate our growth and to integrate our acquired businesses. As a percentage of revenues, selling, general and administrative expenses increased due to the items noted above.

Interest expense. Interest expense increased $2.1 million and $9.5 million, or 30.6% and 53.4%, to $9.0 million and $27.4 million for the three and nine months ended September 30, 2001, primarily due to higher levels of debt resulting from the acquisitions of the companies we purchased subsequent to September 30, 2000 and higher levels of receivables due to lengthened customer payment cycles.

Provision for income taxes. The provision for income taxes was $23.1 million and $62.5 million for the three and nine months ended, September 30, 2001, with effective tax rates of 46.7% and 46.4%, respectively, compared to $31.2 million and $70.0 million for the three and nine months ended September 30, 2000, and an effective tax rate of 43.4%. The increase in the effective rate is primarily due to less absorption of the non-deductible portion of goodwill amortization.

Net Income. Net income decreased $14.4 million and $19.0 million, or 35.3% and 20.8%, to $26.3 million and $72.3 million for the three and nine months ended September 30, 2001, compared to $40.7 million and $91.3 million for the three and nine months ended September 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2001, we had cash and cash equivalents of $2.8 million, working capital of $402.4 million and long-term debt of $578.9 million, net of current maturities. Our long-term debt balance at that date included borrowings of $186.6 million under our credit facility, $210.0 million of senior secured notes, $172.5 million of convertible subordinated notes and $9.8 million of other debt. In addition, we had $39.6 million of letters of credit outstanding under the credit facility.

During the nine months ended September 30, 2001, operating activities provided net cash flow of $86.6 million. Changes in working capital accounts are affected by the acquisitions throughout the period and as such are not comparable to prior periods. We used net cash in investing activities of $181.2 million, including $113.7 million used for the purchase of businesses and contingent consideration issued for an acquisition closed prior to December 31, 2000, net of cash acquired. Financing activities provided a net cash flow of $80.1 million, resulting primarily from $93.7 million of borrowings from our credit facility offset by $15.3 million used for the purchase of treasury stock.

We currently have a $350.0 million credit facility with 14 participating banks. The credit facility is secured by a pledge of all of the capital stock of our operating subsidiaries and the majority of our assets. We use the credit facility to provide funds to be used for working capital, to finance acquisitions and for other general corporate purposes. Amounts borrowed under the credit facility bear interest at a rate equal to either (a) LIBOR plus 1.00% to 2.00%, as determined by the ratio of our total funded debt to EBITDA (as defined in the credit facility) or (b) the bank's prime rate plus up to 0.25%, as determined by the ratio of our total funded debt to EBITDA. We pay commitment fees of 0.25% to 0.50% (based on total funded debt to EBITDA) on any unused borrowing capacity under the credit facility. Our subsidiaries guarantee repayment of all amounts due under the credit facility, and the credit facility restricts pledges of material assets. We agreed to usual and customary covenants for a credit facility of this nature, including a prohibition on the payment of dividends on common stock, certain financial ratios and indebtedness covenants and a requirement to obtain the consent of the lenders for acquisitions exceeding a certain level of cash consideration. As of November 9, 2001, we had approximately $168.0 million in outstanding borrowings under the credit facility

and $47.8 million of letters of credit outstanding, resulting in a borrowing availability of $134.2 million under the credit facility.

Our board of directors has authorized a Stock Repurchase Plan under which up to $75 million of our common stock may be repurchased. Under the Stock Repurchase Plan, we may conduct purchases through open market transactions in accordance with applicable securities laws, and through November 9, 2001, we have repurchased 986,000 shares of common stock for $15.3 million. The amount of shares purchased and the timing of any purchases will be based on a number of factors, including the number of shares needed for replenishment of employee benefit plans, the market price of the stock, market conditions and as our management deems appropriate.

Between January 1, 2001, and September 30, 2001, we acquired seven companies for an aggregate consideration of 2.1 million shares of common stock and $112.3 million in cash. The cash portion of such consideration was provided by borrowings under our credit facility. The timing, size or success of any acquisition effort and the associated potential capital commitments cannot be predicted.

We anticipate that our cash flow from operations and our credit facility will provide sufficient cash to enable us to meet our working capital needs, debt service requirements, and planned capital expenditures for property and equipment for at least the next 12 months. However, if companies we wish to acquire are unwilling to accept our common stock as part of the consideration for the sale of their businesses, we could be required to utilize more cash to complete acquisitions. If sufficient funds were not available from operating cash flow or through borrowings under the credit facility, we may be required to seek additional financing through the public or private sale of equity or debt securities. There can be no assurance that we could secure such financing if and when we need it or on terms we would deem acceptable.

SEASONALITY; FLUCTUATIONS OF QUARTERLY RESULTS

Our results of operations can be subject to seasonal variations. During the winter months, demand for new projects and new maintenance service arrangements may be lower due to reduced construction activity. However, demand for repair and maintenance services attributable to damage caused by inclement weather

during the winter months may partially offset the loss of revenues from lower demand for new projects and new maintenance service arrangements. Additionally, our industry can be highly cyclical. As a result, our volume of business may be adversely affected by declines in new projects in various geographic regions in the United States. Typically, we experience lower gross and operating margins during the winter months. The timing of acquisitions, variations in the margins of projects performed during any particular quarter, the timing and magnitude of acquisition assimilation costs and regional economic conditions may also materially affect quarterly results. Accordingly, our operating results in any particular quarter may not be indicative of the results that can be expected for any other quarter or for the entire year.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (the FASB) issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires that all business combinations initiated after June 30, 2001, be accounted for using the purchase method. The FASB also issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill be assessed at least annually for impairment by applying a fair-value based test. Goodwill will no longer be subject to amortization over its estimated useful life. In addition, acquired intangible assets are required to be recognized and amortized over their useful lives if the benefit of the asset is based on contractual or legal rights. While most provisions of SFAS No. 142 are effective for the Company beginning January 1, 2002, goodwill and intangible assets acquired after June 30, 2001, are subject immediately to the non-amortization and amortization provisions of the statement, respectively. The Company is currently analyzing the provisions of SFAS No. 142 and has not yet made a determination of the impact the adoption will have on the consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment/Disposal of Long-Lived Assets." SFAS No. 144 addresses the financial accounting and reporting for the impairment of disposal of long-lived assets. The Company is required to and will adopt SFAS No. 144 on January 1, 2002 and

believes that the adoption will not have a material effect on its consolidated results of operations or financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

No material changes have occurred to the information previously provided in our Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

PART II -- OTHER INFORMATION

QUANTA SERVICES, INC. AND SUBSIDIARIES

ITEM 2. CHANGES IN SECURITIES

(c) Unregistered Sales of Securities.

Between June 30, 2001, and September 30, 2001, the Company completed one acquisition in which some of the consideration was unregistered securities of the Company. The aggregate consideration paid in this transaction was $34.2 million in cash and 1,093,578 shares of common stock. This acquisition was not affiliated with any other acquisition prior to such transaction.

All securities listed on the following table were shares of common stock. The Company relied on Section 4(2) of the Securities Act of 1933, as amended, as the basis for exemption from registration. For all issuances, the purchasers were "accredited investors" as defined in Rule 501 promulgated pursuant to the Securities Act of 1933, as amended. All issuances were to the owners of businesses acquired in privately negotiated transactions, not pursuant to public solicitation.

DATE	NUMBER OF SHARES	PURCHASERS	CONSIDERATION
8/15/01	1,093,578	Ten owners of North Houston Pole Line Corp. and its affiliated entities	Acquisition of North Houston Pole Line Corp. and its affiliated entities

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

<Table>
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EXHIBIT

NUMBER		DESCRIPTION
99.1	--	Standstill Agreement dated October 8, 2001 between Quanta Services, Inc. and UtiliCorp United Inc. (amended on November 7, 2001 to extend the term through 9:30 a.m. (eastern standard time) on November 13, 2001) (previously filed as an exhibit to Amendment No. 14 to UtiliCorp United Inc.'s Schedule 13/D (No. 005-54689) and incorporated herein by reference).

(b) Reports on Form 8-K.

None.

SIGNATURE

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

QUANTA SERVICES, INC.

BY: /s/ DERRICK A. JENSEN

Derrick A. Jensen
Vice President, Controller and
Chief Accounting Officer

Dated: November 14, 2001