QUANTA SERVICES, INC. IS A LEADING PROVIDER OF SPECIALIZED CONTRACTING SERVICES, OFFERING END-TO-END NETWORK SOLUTIONS FOR THE TELECOMMUNICATIONS, CABLE TELEVISION AND ELECTRIC POWER INDUSTRIES.

OUR COMPREHENSIVE SERVICES INCLUDE DESIGNING, INSTALLING, REPAIRING AND MAINTAINING NETWORK INFRASTRUCTURE. QUANTA SERVICES PERFORMS PROJECTS NATIONWIDE FROM PRINCIPAL OFFICES IN 37 STATES.
# Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$925,654,000</td>
<td>$333,795,000</td>
</tr>
<tr>
<td>Cost of services</td>
<td>711,353,000</td>
<td>269,443,000</td>
</tr>
<tr>
<td>Gross profit</td>
<td>214,301,000</td>
<td>64,352,000</td>
</tr>
<tr>
<td>Selling, general &amp; administrative expenses</td>
<td>80,132,000</td>
<td>28,116,000</td>
</tr>
<tr>
<td>Merger related charges</td>
<td>6,574,000</td>
<td>231,000</td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td>10,902,000</td>
<td>2,731,000</td>
</tr>
<tr>
<td>Income from operations</td>
<td>116,693,000</td>
<td>33,274,000</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(15,184,000)</td>
<td>(4,818,000)</td>
</tr>
<tr>
<td>Other, net</td>
<td>1,429,000</td>
<td>687,000</td>
</tr>
<tr>
<td>Income before income tax provision</td>
<td>102,938,000</td>
<td>29,143,000</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>48,999,000</td>
<td>12,260,000</td>
</tr>
<tr>
<td>Net income</td>
<td>53,939,000</td>
<td>16,883,000</td>
</tr>
<tr>
<td>Dividends on preferred stock</td>
<td>260,000</td>
<td>—</td>
</tr>
<tr>
<td>Net income attributable to common stock</td>
<td>$53,679,000</td>
<td>$16,883,000</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$1.14</td>
<td>$0.58</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$1.00</td>
<td>$0.56</td>
</tr>
<tr>
<td>Diluted earnings per share before merger charges</td>
<td>$1.13</td>
<td>$0.57</td>
</tr>
</tbody>
</table>

Shares used in computing earnings per share:

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>47,177,000</td>
<td>29,287,000</td>
</tr>
<tr>
<td>Diluted</td>
<td>56,146,000</td>
<td>30,817,000</td>
</tr>
</tbody>
</table>

Results for 1997 and 1998 are presented on a pro forma combined basis. The pro forma combined statement of operations data assume that the acquisition of the founding companies, the initial public offering and related transactions were closed on January 1, 1997 and have been restated for transactions that were accounted for as poolings-of-interests. The above results do not include the pre-acquisition results of companies acquired in purchase transactions other than the purchases of the founding companies.

*Before merger-related charges*
Quanta Services closed out the twentieth century as a $1-billion company with offices in 37 states across the nation. The depth of experience available from more than 40 proven partner companies gives our customers one-stop shopping for virtually any telecommunications, cable television, electric power or gas transmission project.
TO OUR SHAREHOLDERS

Your Company has completed another year of remarkable growth and accomplishment – only two years after its inception, Quanta Services closed out the twentieth century as a billion-dollar company. Run-rate revenues at the end of 1999 totaled $1.15 billion, up from $424 million at the end of 1998. Strategic acquisitions not only enhanced our ability to compete across the nation as a full service supplier but also contributed significant revenue growth. Additionally, we continued to experience strong internal growth; our internal revenue growth rate for all companies owned at the end of 1999 was 22%.

Quanta began in 1997 as a company specializing in support services for telecommunications and electric power companies. In 1998, Quanta expanded its reach further into the telecommunications industry, bringing revenue for this work nearly to the level attained for electric power companies. In 1999, the Company grew its presence in cable television and gas transmission. As of December 31, 1999, 35% of our revenues came from telecommunications companies, 30% from electric power companies, 13% from cable TV operators, and 22% from ancillary services. These ancillary services include gas transmission and distribution, transportation services, electric and telecommunications work for commercial and industrial customers, and rock-boring and trenching for water and sewer lines.

Even more notable than the diversity of the industries we serve is the diversity of our customers. In 1999, our client base continued to grow, and we now work for well over 300 customers. Quanta’s largest customer accounted for less than 6% of our 1999 run-rate revenue, and our top 10 customers provided only 28% of our revenue. Our top four customers in 1999 included a cable TV company, a telecommunications provider, the U.S. government, and an electric power company. This kind of diversity is truly remarkable for the business we are in and clearly differentiates us from many competitors who rely on a few large clients for much of their income.

FINANCIAL ACHIEVEMENTS

In January 1999, Quanta completed a follow-on equity offering that generated net proceeds to the Company of $101.1 million. Six million shares of common stock at $15.50 per share (post-split) were sold to the public, and the underwriters of the offering expressed their confidence in Quanta by exercising their over-allotment option to purchase an additional 900,000 shares.

In June, the Company was successful at increasing its credit facility, led by Bank of America, from $175 million to $350 million. We are also pleased to note that our bank syndicate has expanded from nine banks to fourteen.

In September, Quanta closed an important investment and alliance with UtiliCorp United Inc., a multinational energy company with $7.5 billion in assets serving about four million customers in the United States, Canada, the United Kingdom, New Zealand and Australia. UtiliCorp initially invested $186 million in exchange for Convertible Preferred Stock, and since September, has acquired more stock on the open market and in privately negotiated transactions. Today, UtiliCorp’s investment totals about $320 million.

It is interesting to note that the initial transaction gave UtiliCorp the right to convert into the same ownership percentage (19.9%) as Enron gained in their $49-million alliance transaction only a year before. Quanta performed work worth about $40 million under the alliance with Enron in 1999, compared to the $20 million we anticipated at the beginning of 1999, and we look forward to a very productive alliance with UtiliCorp also.

Since the end of the year, Quanta has completed a senior notes placement of $150 million, further extending our financial capabilities.

In recognition of our strong financial and share-price performance, the Quanta Board of Directors declared a three-for-two stock split on March 8, 2000 payable on April 7, 2000 to stockholders of record on March 27, 2000. In summary, the Company is in excellent financial condition and is well financed to achieve our future goals.

INDUSTRY TRENDS

Four major factors support the continued growth of Quanta Services: the race to provide media and Internet to homes and businesses; the aging of our nation’s infrastructure; deregulation of the electric power and telecommunications industries; and convergence within the various transmission industries.

Fueling the race to provide electronic media to individual homes and businesses is the exploding demand for communications bandwidth driven by the Internet. Computing speeds continue to double about every 18 months as they have in the past, and business-to-business (B2B) e-commerce is building on this technology at a rapid rate. These factors, we believe, will continue to spur our growth as we supply the bandwidth infrastructure our customers need to position themselves for the future.

As we noted in last year’s annual report, much of the existing electric power transmission and distribution infrastructure in the United States (collectively valued at over $220 billion) was built soon after World War II and is now near the end of its useful life. In 1996, failure of transmission lines in Oregon shut down power to parts of nine states. In the summer of 1998, power outages hit Chicago and the Midwest, leading to ComEd’s commitment to spend $1 billion for improvements to its Chicago operations. In July 1999, a blackout caused by overloads and fires in feeder cables strung upper Manhattan for nearly a day. Work to bring old systems up to current standards should continue to provide increasing opportunities for Quanta, particularly with the industry’s growing reliance on outsourcing.

Everyone is aware of the sweeping changes that have been wrought by deregulation in the telecommunication
and gas transmission industries. Today, electric power companies face similar changes – 24 states have deregulation statutes in place or underway, up from 14 a year ago, and nearly every other state has the issue under consideration. The future for electric power companies is now more open but far less well defined.

In fact, the future of all the newly deregulated industries is not very well defined at present because deregulation of once separate industries is blurring the boundaries between them. And this gives rise to what is perhaps the most exciting factor driving Quanta’s growth: convergence.

The one commonality among all of the industries Quanta serves is transmission, whether it be gas, electricity, voice, video or data. The basic requirement for transmission is right-of-way, whether it be for an underground gas line or an overhead cable. Thus it makes complete sense for a gas company to use its right-of-way for data transmission, just as it makes sense for an electric utility to string fiber optic cable on its overhead power lines.

The results of industry convergence will soon be apparent everywhere. Today, if a car knocks over a neighborhood power pole, the power company, the telephone company and the cable TV company all have to respond. At some point in the future, all of these facilities could be owned by one company – and maintained by Quanta, probably by the same cross-trained crew. Quanta can do it all, from electric substations to the underground or overhead transmission lines to the end user’s computer and television connections.

**QUANTA INTEGRATION**

Quanta began operations with an understanding of industry evolution, which has both driven our strategic vision and fostered its success. As transmission industries converge, we continue to integrate by acquiring successful companies that help us provide full-service, one-stop shopping for every project of virtually any size, regardless of what is being transmitted or where it is being sent.

Our strategy for continuing Quanta’s high growth rate is to continue to emphasize internal growth and to acquire only those companies that fit our philosophy and enhance our cross-selling opportunities.

In the body of this annual report, you will see how this strategy is already paying dividends. In the case of PF.Net, for example, our integrated approach enabled Quanta to win a $160-million job that spans the nation.

**LOOKING TO THE FUTURE**

As we said in last year’s report, we believe that Quanta will continue its pattern of strong growth. We will continue to broaden our geographic footprint, to increase our customer base, and to add specialty services that enhance our ability to be a full-service supplier. Even more important, we will continue to pursue strong internal revenue growth by capitalizing on the opportunities that integration affords.

At this time, we wish to extend our thanks to all our employees whose dedication and hard work make our goals achievable, and to our stockholders, especially those 1,100 employee stockholders who recently participated in our Employee Stock Purchase Plan, for their confidence in our company.

Sincerely,

John R. Colson
Chief Executive Officer
• Installation and maintenance of fiber optic, copper and coaxial cable for video, data and voice transmission;
• Designing, building and maintaining DSL networks;
• Engineering and erecting cellular, digital, PCS, microwave and other wireless telecommunications towers;
• Designing and installing switching systems for incumbent local exchange carriers, competitive local exchange carriers, regional Bell operating companies and long distance providers;
• Trenching and plowing applications;
• Horizontal directional boring;
• Rock saw, rock wheel and rock trench capabilities;
• Vacuum excavation services;
• Splicing and testing of fiber optic and copper networking;
• Cable locating.
A NEW WAY OF WORKING

In February 1999, Northern Line Layers in Billings, Montana, was an independent $48-million telecommunications service provider. Today, this Quanta subsidiary is a $70-million company working on a multitude of jobs – for example, a $160-million build for PF.Net – that would have been beyond its reach in pre-Quanta days.

The transition to a new way of working began with work on the huge Enron fiber optic project, where Northern Line Layers was one of many independent contractors. Impressed by Northern and by the company’s new affiliation with Quanta, Enron approached Northern’s CEO Don Bottrell for a fixed-price bid for all remaining segments of the project. This would include more than 400 miles in segments from Wyoming to Texas, plus two city builds in Austin and San Antonio. The budget was $22 million and the time allotted harrowingly short.

It was a Quanta project from the outset, managed by Don and initially including three Quanta companies: Northern Line Layers, Manuel Bros. and Spalj Construction. When rock problems in Wyoming threatened delays, the expertise of sister companies PAR Electric and H. L. Chapman saved the day.

“The aggressive time frame could not have been completed by any one of the three major contractors alone,” says Don. “We were able to get the work because of the resources we had as Quanta. And we were able to be competitive as a unified group because we were not taking mark-ups on each other.”

But this was only the beginning.

Early in 1999, Trawick Construction (at that time not a Quanta company) approached Northern about participating in a PF.Net fiber optic build between Houston and Jacksonville, Florida. Don gathered up the Quanta resources, including Northern Line Layers, Trawick and Spalj, to bid the entire project. When Spalj had to drop out because of conflicting commitments, Manuel Bros. came in to fill the gap. Ultimately, PF.Net awarded Quanta an even larger coast-to-coast turnkey project – “engineer, furnish and install” – worth $160 million.

“The diversity we have as Quanta, the people knowledgeable about different parts of the country, that was very, very important in winning this business,” Don says. “This project eliminates subcontracting mark-ups. We’re all one big group working together.”

The possibilities created by Quanta have changed Don’s way of marketing. “Fifty percent of my marketing now is selling how Quanta has the resources to do the large projects in short time frames and still stay within acceptable budgets,” he says. “And now customers are saying, Why don’t we get a hold of some of the Quanta group, because they can put together what we need.”
Underground Construction Company is a 60-year-old utility and heavy construction contractor in the San Francisco Bay Area with an enviable safety record and a customer list that reads like Who’s Who. The company has diversified over time, and today operates across the United States. It has built underground utilities as far east as Atlanta and Washington, DC. It has completed airport fueling projects in Honolulu, Dallas and Austin and is currently working on a project in Indianapolis. The company also does a large volume of daily service work for Bay Area phone companies.

Before joining Quanta in mid-1998, Underground Construction had annual revenues of $50 million; in 1999, revenues topped $70 million and are projected to reach more than $80 million in 2000.

“We were able to do about 10% more volume just based on our ability to partner with our sister companies,” says Underground CEO Lynn Barr. “We’re doing things that we probably wouldn’t have signed up to do before joining Quanta.”

One good example is a joint-build fiber optic project along the east side of the Bay, from Oakland to San Jose through a heavily congested urban area. One customer approached the Company about putting together the build. Underground Construction engineered the route and then contacted other customers to see if any were interested in “sharing the ditch.”

“Everybody wants to go everywhere in the cable business,” says Lynn. “When we ask our customers if they’re interested in joining a project like this, they say, ‘Well, absolutely!’ The customers love it, the cities are eager to not have their streets torn up more than necessary, and we’re eager to do the work.”

But completing urban builds in dense-traffic areas – where run distances are measured not in miles but in feet – is demanding and resource-intensive. “We could not have done it without our Quanta partners, Golden State Utility, Manuel Bros. and VCI Telcom,” Lynn says. “Golden State has boring expertise that complemented ours, Manuel Bros. specializes in fiber optic installations, and VCI is a cable-pulling outfit. With our heavy-construction background, we have quite a depth of engineering and project management.”

It adds up to a combination hard to match, and similar joint-build projects have followed from San Francisco south along the peninsula. Lynn expects this work to increase in the future.

“The key is that we’re able to use our other partners where we wouldn’t have been able to accept these opportunities pre-Quanta,” Lynn says. “Back then, we had finite resources. The resources aren’t infinite now, but they approach it. That’s the synergy of it all.”
• Fiber optic and coaxial cable installation and maintenance for voice, video and data transmission;
• System design and installation;
• Upgrading power and telecommunications infrastructure for cable installations;
• Residential installation and customer connects, both analog and digital, for cable television, telephony and Internet services.

As cable television evolves from an entertainment medium to a conduit for Internet, voice and data communications, Quanta will be there to make it work.
• Installation, repair and maintenance of electric transmission lines from 69,000 to more than 760,000 volts;
• Installation, repair and maintenance of electric power distribution projects;
• Designing and constructing substation projects;
• Installing fiber optic lines for voice, video and data transmission on existing electric power infrastructure;
• Installing and maintaining joint trench natural gas distribution systems;
• Trenching and horizontal boring for underground installations;
• Cable and fault locating;
• Storm damage restoration work.

With much of the nation’s $220-billion electric power infrastructure nearing the end of its useful life, Quanta is poised to capitalize on the replacement opportunities.
A MINI-QUANTA

If there is one Quanta subsidiary that illustrates the power of the Quanta philosophy, it is Potelco in Sumner, Washington. One of the four original partners in Quanta, Potelco was the “little guy” of the four. As Gary Tucci, Potelco CEO and Quanta Regional Vice President, relates, “We were the mom and pop outfit.”

Gary built his father's company to a $19-million business by the end of 1997, the year of Quanta’s founding. By the end of 1999, Potelco was a $52-million business, anticipating $70 million in 2000. “Two years ago, we did some distribution, small transmission lines and local communications work,” Gary says. “Today, we’re a mini-Quanta. We do everything – gas lines, power lines, traffic signals, underground construction, you name it. We’re now the major contractor in the area, and it was perfect timing, the Quanta story, getting together and raising capital so we could all grow. And the utilities are doing what we thought they were going to do.”

For example:

Puget Power merged with Washington Natural Gas to form Puget Sound Energy (PSE). Potelco added 10 gas crews and was available to solve whatever problems came up. Now Potelco is one of three favored contractors, in an ideal position to step in when PSE begins outsourcing its entire construction and maintenance operation this year.

The old Washington Water Power is now Avista, with gas distribution, electric power and telecommunications services. Avista is busy overbuilding the local Bell telephone companies, and Potelco is doing the work, including engineering, installation, and project management. “Avista was just getting into communications about five years ago,” says Gary, “Potelco had done power line work for them and they knew we did telephone work. We hired an engineer and worked hand-in-hand with them. The project grew from $50,000 per year at the start to about $6 million last year. And they plan to expand to 30 cities in the next five years.”

Tacoma Power formed “Click” to overbuild the regional TCI cable television system. Although regulations now prohibit voice and data over Washington’s cable TV lines, “Click” is prepared to turn the switch for both as soon as regulations permit, thanks to $12 million in cable TV work performed by Potelco for “Click” in 1999. “In 1998, we did $0 in cable television,” says Gary. “Now we do a ton.”

Gary stresses that it is Quanta’s resources that allow Potelco to keep up with utility mergers. Now Potelco has the resources to sell cost-effective joint ditches worked by composite crews. “It solves a nightmare of scheduling problems for developers,” says Gary. “We sell one-stop shopping: We’ll design it, buy the material, manage the project, and let you know when the job’s done. There are not a lot of contractors that can do that.”
ONE-STOP SHOPPING, FULL SERVICE

Quanta focuses on providing one-stop shopping. While the largest part of our business relates to telecommunications, cable television and electric power, our companies do much more than that. Here are some recent examples:

Conti Communications in South Plainfield, New Jersey, a contractor to the wireless telecommunications industry, recently helped an old church bring history into the future. The Neshanic Reformed Church was completed in 1775, and by 1999, structural deterioration was threatening to topple its steeple. Bell Atlantic proposed to replace the steeple with a “stealth cell tower” identical in appearance. They contacted Conti around Thanksgiving. The steeple replacement was a six-week project, but Conti, known for its “done once, done right” approach, completed this difficult job in only three weeks. Bell had its cell tower, and the church was able to celebrate Christmas Eve looking as charming as it always had.

In January 1999, TRANS TECH Electric began work on Phase V of the Arizona Department of Transportation’s Freeway Management System (FMS) in Phoenix. The project entailed installation of nearly 400,000 feet of control cable and fiber optic cable in an urban setting, plus three variable message signs, eight closed-circuit television cameras, and 50 control cabinets. TRANS TECH also installed 60 vehicle detector loops and integrated another 400 into a total system that relays information to the Phoenix traffic operations center.

Quanta’s H. L. Chapman Company has just acquired the newest two of the seven largest trenching machines in the world, the Trenco 1860. One machine cuts trenches up to eight feet wide and 24 feet deep in a single pass; the other has a “road miner” attachment that cuts 13.5 feet wide and five feet deep. For a challenging two-mile-long sewer line near Round Rock, Texas, Chapman used both machines: The road miner took the trench to 26 feet wide and 15 feet deep, and the other trencher finished the job in one pass to a total of 39 feet deep. This equipment is available for Quanta jobs anywhere in the United States, making it possible to do more work in fewer passes, in less time, and for lower costs.

What began as a simple $78,000 demolition project ballooned into a coordinated $5-million design and build effort for a new manufacturing facility for asphalt roofing shingles. TRANS TECH Electric initially bid the demolition project as a means of introducing itself to this potential customer. The quality of TRANS TECH’s work soon led to another contract for electrical service relocation and upgrade, then to a backbone lighting project and production system power and control wiring. When completed, the new plant will be the world’s largest production facility of its type. Today, the roofing manufacturer looks to this Quanta company for help in designing, building, controlling costs, and projecting future needs. TRANS TECH Electric is a perfect example of Quanta’s one-stop shopping philosophy in action.
• Installing intelligent traffic networks such as traffic signals, controllers, connecting signals, variable message signs, closed circuit television and other monitoring devices for governments;
• Installing cable and control systems for light rail lines, airports and highways;
• Installing and maintaining natural gas transmission systems;
• Designing, installing, maintaining and repairing electrical components, fiber optic cabling and building control and automation systems;
• Providing specialty rock trenching, directional boring and road milling for industrial and commercial customers.

Quanta offers specialized services for virtually all types of transmission work, and our advanced technology – like this directional boring machine – helps ensure high quality at low prices.
DIRECTORS

JAMES R. BALL 3
Private Investor

JAMES R. COLSON 1, 4
Chief Executive Officer, Quanta Services, Inc.

VINCENT D. FOSTER 1, 4
Chairman, Quanta Services, Inc., Managing Director, Main Street Merchant Partners II, L.P.

ROBERT K. GREEN
President, UtiliCorp United Inc.

JOHN A. MARTELL
Vice President, TRANS TECH Electric, Inc.

JAMES G. MILLER 2
Senior Vice President, Energy Delivery, UtiliCorp United Inc.

RODNEY R. PROTO 1, 2, 3
Chief Executive Officer, National Alarm Technologies, L.L.C.

GARY A. TUCCI 1
Regional Vice President, Quanta Services, Inc., President, Potelco, Inc.

MICHAELE T. WILLIS 2, 3
Chairman, Chief Executive Officer and President, Conusy, Inc.

JOHN R. WILSON
Regional Vice President, Quanta Services, Inc., President, PAR Electrical Contractors, Inc.

OFFICERS

JOHN R. COLSON *
Chief Executive Officer

JAMES H. HADDUX *
Chief Financial Officer

ELLIOTT G. ROBBINS *
Senior Vice President-Operations

BRAD EASTMAN *
Vice President, Secretary and General Counsel

DERRICK A. JENSEN *
Vice President, Controller and Chief Accounting Officer

JAMES F. O’NEIL III *
Vice President-Operations Integration

STEPHEN K. CASSETTA
Vice President-Operations

NICHOLAS M. GRINDSTAFF
Treasurer

HOBBART B. PILLSBURY
Vice President-Information Technology

GARY A. TUCCI *
Regional Vice President

JOHN R. WILSON *
Regional Vice President

1. Acquisitions Committee
2. Audit Committee
3. Compensation Committee
4. Small Acquisitions Committee

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

TRANSFER AGENT

AMERICAN STOCK TRANSFER & TRUST COMPANY
40 Wall Street
New York, New York 10005
718.921.8200

AUDITORS

ARTHUR ANDERSEN LLP
711 Louisiana Street, Suite 1300
Houston, TX 77002-2786
Tel: 713.237.2523

INVESTOR RELATIONS

JAMES H. HADDUX
Quanta Services, Inc.
713.629.7600
713.629.7676 fax

KENNETH S. DENNARD
Easterly Investor Relations
713.529.6600
713.529.9989 fax
kedennard@easterly.com

ANNUAL MEETING

May 24, 2000 at 9:00 a.m.
Omni Houston Hotel
Four Riverway
Houston, Texas 77056-1999

www.quantaservices.com

