

revenues was principally due to the completion of the Jubilee Line project in London at the end of 1999.

Revenues of the Other international construction and facilities services increased for 2001 to \$11.6 million, compared to \$0.3 million for 2000 and \$0.6 million for 1999. Other international construction and facilities services primarily consist of EMCOR's operations in the Middle East, South Africa and Europe. The increase in revenues was due to projects performed in Europe by EMCOR's new technology division. The remainder of the work performed in this operating segment is accounted for under the equity method of accounting because EMCOR has less than majority ownership in these foreign joint ventures, and accordingly, revenues attributable to such joint ventures are not reflected as revenues in the consolidated financial statements. EMCOR continues to pursue new business selectively in these markets; however, the availability of opportunities has been significantly reduced as a result of local economic factors, particularly in the Middle East.

Cost of Sales and Gross Profit

The following table presents EMCOR's cost of sales, gross profit, and gross profit as a percentage of revenues, for the years ended December 2001, 2000 and 1999 (in millions, except for percentages):

	2001	2000	1999
Cost of sales	\$ 3,028.0	\$ 3,102.4	\$ 2,598.1
Gross profit	\$ 391.8	\$ 357.8	\$ 295.9
Gross profit as a percentage of revenues	11.5%	10.3%	10.2%

Gross profit increased \$34.0 million, or 9.5%, for 2001 compared to 2000. Gross profit as a percentage of revenues was 11.5% for 2001 compared to 10.3% for 2000. The dollar increase in gross profit, as well as the increase in gross profit as a percentage of revenues, were primarily due to an increase in gross profits realized due to the type and location of construction and facilities services contracts performed and continued improvement in project management. Gross profit increased \$61.9 million, or 20.9%, for 2000 compared to 1999, and gross profit as a percentage of revenues increased to 10.3% for the 2000 period compared with 10.2% for 1999. The increase in gross profit dollars from 1999 to 2000 was due to the increase in revenues of EMCOR's operations excluding acquisitions, as well as gross profit from companies acquired in 1999. The increase in gross profit as a percentage of revenues was primarily a result of an increase in gross profits on projects due to overall favorable market conditions partially offset by losses on jobs in the South

and North Carolina markets undertaken by EMCOR's Poole & Kent subsidiary prior to its acquisition by EMCOR.

Selling, General and Administrative Expenses

The following table presents EMCOR's selling, general and administrative expenses, and selling, general and administrative expenses as a percentage of revenues, for the years ended December 31, 2001, 2000 and 1999 (in millions, except for percentages):

	2001	2000	1999
Selling, general & administrative expenses	\$ 303.1	\$ 278.9	\$ 237.8
Selling, general & administrative expenses as a percentage of revenues	8.9%	8.1%	8.2%
Selling, general & administrative expenses as a percentage of revenues, excluding amortization of goodwill	8.7%	7.9%	8.1%

Selling, general and administrative expenses increased \$24.2 million, or 8.7%, between 2001 and 2000. As a percentage of revenues, total selling, general and administrative expenses increased to 8.9% in 2001 as compared to 8.1% in 2000. Selling, general and administrative expenses increased \$41.1 million, or 17.3%, between 2000 and 1999. As a percentage of revenues, total selling, general and administrative expenses decreased to 8.1% in 2000 as compared to 8.2% in 1999. The dollar increase and increase in expenses as a percentage of revenues during 2001 compared to 2000 was primarily attributable to the type and location of construction and facilities services contracts performed, increased variable overhead costs associated with marketing and business development efforts and expansion of information technology infrastructure support. The dollar increase in selling, general and administrative expenses for 2000 as compared to 1999 was attributable to the increase in revenues and corresponding increases in variable selling, general and administrative expenses required to support the increased revenue base, incremental fixed costs to support the current growth in operations, plus selling, general and administrative expenses associated with BTENA and 1999 acquisitions. The decrease in selling, general and administrative expenses, as a percentage of revenues for 2000, as compared to 1999 was primarily due to the leveraging of fixed costs over increased revenues.