

Granite Reports First-Quarter 2009 Financial Results

WATSONVILLE, Calif.--(BUSINESS WIRE)-- Granite Construction Incorporated (NYSE: GVA) today reported net income of \$8.9 million for the first quarter of 2009 compared with \$13.1 million for the first quarter of 2008. Diluted earnings per share for the first quarter of 2009 were \$0.23 compared with \$0.34 for the first quarter of 2008.

"Our business continues to perform well despite today's economic challenges," said William G. Dorey, Granite president and chief executive officer. "Overall I am extremely pleased with the way our teams across the country are executing on our diverse portfolio of work."

First-quarter 2009 Financial Results

Total Company

- Total revenue for the quarter ended March 31, 2009 was \$347.4 million compared with \$454.8 million in 2008.
- Gross profit as a percentage of revenue for the quarter decreased to 20 percent compared with 22 percent in 2008.
- Gross loss on the sale of construction materials was \$2.3 million in 2009 compared with a gross profit of \$2.5 million in 2008. The company's construction materials business continues to be affected by lower sales volume.
- General and administrative expenses decreased \$7.0 million to \$53.6 million or 15 percent of revenue compared with \$60.7 million or 13 percent of revenue in 2008.
- Operating income for the quarter was \$16.9 million compared with \$38.4 million in the prior year.
- Other income for the quarter was \$1.9 million compared with \$9.3 million last year. The decrease was due to lower investment interest income as well as a reduction in the gain on the sale of gold, a by-product of one of our aggregate facilities. In 2009, the gain from gold sales was \$4.4 million compared with \$9.3 million in the first quarter of 2008.
- Net income attributable to noncontrolling interest in joint ventures was \$5.1 million compared with \$22.5 million in 2008. The decrease was related to the settlement of a significant claim associated with a completed large joint-venture project in Southern California which was recognized in the first quarter of 2008.
- At March 31, 2009, cash and short-term marketable securities totaled \$412.8 million, including \$120.7 million of cash and cash equivalents from the company's consolidated joint ventures.
- Total contract backlog at March 31, 2009, was \$1.6 billion compared with \$1.9 billion at March 31, 2008. Not included in contract backlog at March 31, 2009, is the company's 34 percent share of the \$1.3 billion contract for the Houston Metro Light Rail project awarded in the second quarter of 2009. The award will be recorded in contract backlog incrementally as Notices to Proceed are received.

Granite West

- Revenue for the first quarter totaled \$197.0 million compared with \$240.0 million for the same period in 2008. Granite West continues to experience a competitive bidding environment as well as a reduction in the demand for construction materials.
- Gross profit as a percentage of revenue for the quarter was unchanged at 17 percent as a result of higher construction gross profit offset by a loss from materials sales during the quarter.
- Operating income for the quarter increased \$2.0 million to \$6.7 million compared with \$4.8 million for the first quarter of last year.

Granite East

- Revenue for the first quarter totaled \$149.9 million compared with \$214.1 million for the same period in 2008.
- Gross profit as a percentage of revenue for the quarter was 23 percent compared with 27 percent in the same period last year.
- Operating income for the quarter decreased to \$28.3 million compared with \$52.1 million for the first quarter of 2008. Operating results in both the first quarter of 2008 and 2009 were positively affected by the recognition of project settlements related to outstanding issues. Results in 2009 include the \$16.0 million settlement associated with a large project in the Northeast. Results in 2008 include the \$28.6 million settlement related to a large project in Southern California.

Outlook

"We are off to a good start in 2009," said Dorey. "In Granite West our public works bidding environment is becoming very active, in part due to stimulus-funded projects out to bid. We do, however, anticipate a challenging year in the West as the competitive climate continues to impact our hit ratio and our margin expectations. This is particularly true in the smaller, traditional branch work as well as our construction materials business. We are fortunate to have the experience and the financial wherewithal to bid on larger, more complex projects that often do not draw the same level of competitiveness due to their increased complexity and bonding requirements. We believe it is the larger projects that present the most encouraging opportunities for revenue and margin growth during this business cycle.

"We expect Granite East to continue to deliver gross margins in the mid-teens while building a strong backlog of work. Our bidding pipeline remains full, and we are excited about the opportunities for this business. We are tracking more than \$4 billion worth of various infrastructure-related projects that are expected to bid between now and the end of 2009.

"Our 2009 outlook includes revenue expectations for Granite West to be in the range of \$1.6 billion to \$1.9 billion with a corresponding gross profit margin percentage between 14 percent and 17 percent. Granite East 2009 revenue is expected to be in the range of \$675.0 million to \$775.0 million with a corresponding gross profit margin percentage between 13 percent and 15 percent. In addition, net income attributable to noncontrolling interest in joint ventures for the total company is expected to be approximately \$25.0 million to \$35.0 million."

Conference Call

Granite will conduct a conference call tomorrow, May 5, 2009, at 11 a.m. ET (8 a.m. PT) to discuss the results of the first quarter ended March 31, 2009. Access to a live audio webcast is available at www.graniteconstruction.com/investor-relations. The live conference call may be accessed by calling (877) 693-6483 in the United States and (706) 758-5304 for international listeners. The conference ID for the call is 93595270. The call will be recorded and available for replay from approximately two hours after the live audio webcast through May 19, 2009, by calling (800) 642-1687 or (706) 645-9291. The conference ID for the recording is 93595270.

About Granite

Granite Construction Incorporated is a member of the S&P 400 Midcap Index, the Domini 400 Social Index, and the Russell 2000. Granite Construction Company, a wholly owned subsidiary, is one of the nation's largest diversified heavy civil contractors and construction materials producers. Granite Construction Company serves public- and private-sector clients through its offices and subsidiaries nationwide. For more information about Granite, please visit its Web site at www.graniteconstruction.com.

Forward-looking Statements

This press release contains statements that are not based on historical facts and which may be forward-looking in nature. Under the Private Securities Litigation Reform Act of 1995, a "safe harbor" may be provided to Granite for certain of these forward-looking statements. Words such as outlook, believes, expects, appears, may, will, should, anticipates, and the negatives thereof or comparable terminology are intended to identify these forward-looking statements. These forward-looking statements are estimates reflecting the best judgment of Granite's senior management and are based on its current expectations and projections concerning future events, many of which are outside Granite's control and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those risks described in Granite's Annual Report under "Item 1A. Risk Factors." Except as required by law, Granite undertakes no obligation to revise or update any forward-looking statements for any reason. As a result, the reader is cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release.

GRANITE CONSTRUCTION INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited - In Thousands, Except Per Share Data)

| | Three Months Ended | |
|---|--------------------|------------|
| | March 31, | |
| | 2009 | 2008 |
| Revenue | | |
| Construction | \$ 317,109 | \$ 402,573 |
| Material sales | 29,846 | 51,554 |
| Real estate | 417 | 673 |
| Total revenue | 347,372 | 454,800 |
| Cost of revenue | | |
| Construction | 246,969 | 306,846 |
| Material sales | 32,183 | 49,056 |
| Real estate | 207 | 204 |
| Total cost of revenue | 279,359 | 356,106 |
| Gross profit | 68,013 | 98,694 |
| General and administrative expenses | 53,632 | 60,651 |
| Gain on sales of property and equipment | 2,521 | 401 |
| Operating income | 16,902 | 38,444 |
| Other income (expense) | | |
| Interest income | 2,061 | 6,055 |
| Interest expense | (3,488) | (4,510) |
| Equity in loss of affiliates | (444) | (707) |
| Other income, net | 3,785 | 8,463 |
| Total other income | 1,914 | 9,301 |

| | | |
|---|----------|-----------|
| Income before provision for income taxes | 18,816 | 47,745 |
| Provision for income taxes | 4,829 | 12,127 |
| Net income | 13,987 | 35,618 |
| Amount attributable to noncontrolling interest | (5,067) | (22,495) |
| Net income attributable to Granite Construction Inc. | \$ 8,920 | \$ 13,123 |
| Net income per share attributable to common shareholders: | | |
| Basic | \$ 0.23 | \$ 0.34 |
| Diluted | \$ 0.23 | \$ 0.34 |
| Weighted average shares of common stock: | | |
| Basic | 37,476 | 38,139 |
| Diluted | 37,600 | 38,172 |

GRANITE CONSTRUCTION INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited - In thousands, except share and per share data)

| | March 31, 2009 | December 31, 2008 | March 31, 2008 |
|--|-------------------|----------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 390,483 | \$ 460,843 | \$ 266,427 |
| Short-term marketable securities | 22,276 | 38,320 | 79,997 |
| Accounts receivable, net | 233,867 | 314,733 | 320,526 |
| Costs and estimated earnings in excess of billings | 54,400 | 13,295 | 74,279 |
| Inventories, net | 59,254 | 55,223 | 61,432 |
| Real estate held for development and sale | 79,409 | 75,089 | 54,736 |
| Deferred income taxes | 43,484 | 43,637 | 44,728 |
| Equity in construction joint ventures | 44,423 | 44,681 | 39,893 |
| Other current assets | 52,488 | 56,742 | 62,559 |

| | | | |
|--|--------------|--------------|--------------|
| Total current assets | 980,084 | 1,102,563 | 1,004,577 |
| Property and equipment, net | 526,734 | 517,678 | 518,900 |
| Long-term marketable securities | 46,387 | 21,239 | 37,303 |
| Investment in affiliates | 21,768 | 19,996 | 25,713 |
| Other noncurrent assets | 79,534 | 81,979 | 72,149 |
| Total assets | \$ 1,654,507 | \$ 1,743,455 | \$ 1,658,642 |
| Liabilities and Equity | | | |
| Current liabilities | | | |
| Current maturities of long-term debt | \$ 34,218 | \$ 39,692 | \$ 34,071 |
| Accounts payable | 141,783 | 174,626 | 195,651 |
| Billings in excess of costs and estimated earnings | 190,540 | 227,364 | 218,935 |
| Accrued expenses and other current liabilities | 159,323 | 184,939 | 166,774 |
| Total current liabilities | 525,864 | 626,621 | 615,431 |
| Long-term debt | 251,351 | 250,687 | 257,442 |
| Other long-term liabilities | 45,836 | 43,604 | 45,479 |
| Deferred income taxes | 17,917 | 18,261 | 18,228 |
| Equity | | | |
| Preferred stock, \$0.01 par value, authorized 3,000,000 shares; none outstanding | - | - | - |
| Common stock, \$0.01 par value, authorized 150,000,000 shares in 2009 and in 2008; | | | |
| issued and outstanding 38,679,123 shares as of March 31, 2009, 38,266,791 shares | | | |
| as of December 31, 2008 and 38,274,800 shares as of March 31, 2008 | 387 | 383 | 383 |
| Additional paid-in capital | 88,158 | 85,035 | 79,534 |
| Retained earnings | 686,129 | 682,237 | 587,881 |

| | | | |
|---|--------------|--------------|--------------|
| Accumulated other comprehensive loss | - | (146) | (693) |
| Total Granite Construction Inc. shareholders' equity | 774,674 | 767,509 | 667,105 |
| Noncontrolling interest | 38,865 | 36,773 | 54,957 |
| Total equity | 813,539 | 804,282 | 722,062 |
| Total liabilities and equity | \$ 1,654,507 | \$ 1,743,455 | \$ 1,658,642 |
| | March 31, | December 31, | March 31, |
| Financial Position | 2009 | 2008 | 2008 |
| Working capital | \$ 454,220 | \$ 475,942 | \$ 389,146 |
| Current ratio | 1.86 | 1.76 | 1.63 |
| Debt to Granite Construction Inc. shareholders' equity capitalization | 0.27 | 0.27 | 0.30 |
| Total liabilities to Granite Construction Inc. shareholders' equity ratio | 1.09 | 1.22 | 1.40 |

GRANITE CONSTRUCTION INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - In Thousands)

| | | |
|---|-----------|-----------|
| Three Months Ended March 31, | 2009 | 2008 |
| Operating activities | | |
| Net income | \$ 13,987 | \$ 35,618 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation, depletion and amortization | 20,623 | 21,172 |
| Gain on sales of property and equipment | (2,521) | (401) |
| Change in deferred income taxes | (283) | 419 |
| Stock-based compensation | 2,777 | 1,609 |
| Excess tax benefit on stock-based compensation | (413) | (746) |
| Equity in loss of affiliates | 444 | 707 |
| Acquisition of noncontrolling interest | - | (16,616) |
| Changes in assets and liabilities, net of the effects of acquisitions | (49,009) | (65,307) |
| Net cash used in operating activities | (14,395) | (23,545) |

| | | |
|---|------------|------------|
| Investing activities | | |
| Purchases of marketable securities | (29,258) | (9,179) |
| Maturities of marketable securities | 15,610 | 21,500 |
| Release of funds for acquisition of noncontrolling interest | - | 28,332 |
| Additions to property and equipment | (29,601) | (30,735) |
| Proceeds from sales of property and equipment | 3,741 | 3,517 |
| Acquisition of businesses | - | (14,022) |
| Contributions to affiliates | (2,219) | - |
| Other investing activities | 148 | 676 |
| Net cash (used in) provided by investing activities | (41,579) | 89 |
| Financing activities | | |
| Proceeds from long-term debt | 2,435 | 1,083 |
| Long-term debt principal payments | (7,282) | (6,683) |
| Cash dividends paid | (4,975) | (5,129) |
| Purchase of common stock | (2,017) | (45,468) |
| Contributions from noncontrolling partners | 157 | 4,640 |
| Distributions to noncontrolling partners | (3,153) | (24) |
| Acquisition of noncontrolling interest | - | (11,716) |
| Excess tax benefit on stock-based compensation | 413 | 746 |
| Other financing | 36 | - |
| Net cash used in financing activities | (14,386) | (62,551) |
| Decrease in cash and cash equivalents | (70,360) | (86,007) |
| Cash and cash equivalents at beginning of period | 460,843 | 352,434 |
| Cash and cash equivalents at end of period | \$ 390,483 | \$ 266,427 |

GRANITE CONSTRUCTION INCORPORATED

Business Segment Information

(Unaudited - In Thousands)

| Three Months Ended March 31, | Granite West | Granite East | Granite Land Company |
|---------------------------------|--------------|--------------|-------------------------|
|---------------------------------|--------------|--------------|-------------------------|

2009

| | | | |
|---|------------|------------|----------|
| Revenue | \$ 197,049 | \$ 149,906 | \$ 417 |
| Gross profit | \$ 32,939 | \$ 34,864 | \$ 210 |
| Gross profit as a percent of revenue | 16.7% | 23.3% | 50.4% |
| Operating income (loss) | \$ 6,720 | \$ 28,251 | \$ (698) |
| Operating income (loss) as a percent of revenue | 3.4% | 18.8% | -167.4% |
| 2008 | | | |
| Revenue | \$ 240,002 | \$ 214,125 | \$ 673 |
| Gross profit | \$ 39,629 | \$ 58,596 | \$ 469 |
| Gross profit as a percent of revenue | 16.5% | 27.4% | 69.7% |
| Operating income (loss) | \$ 4,763 | \$ 52,136 | \$ (450) |
| Operating income (loss) as a percent of revenue | 2.0% | 24.3% | -66.9% |

GRANITE CONSTRUCTION INCORPORATED

Contract Backlog

(Unaudited - In Thousands)

| Contract Backlog by Division | March 31, 2009 | | March 31, 2008 | |
|------------------------------|----------------|---------|----------------|---------|
| Granite West | \$ 743,219 | 47.3 % | \$ 868,530 | 44.7 % |
| Granite East | 826,855 | 52.7 % | 1,074,659 | 55.3 % |
| Total | \$ 1,570,074 | 100.0 % | \$ 1,943,189 | 100.0 % |

Source: Granite Construction Incorporated