

Granite Reports Second-Quarter 2010 Financial Results

- Total revenue essentially flat compared with a year ago
- Net loss for the second quarter of \$6.7 million
- SG&A expenses decreased \$5.0 million in the quarter compared with a year ago
- Total contract backlog \$1.6 billion; Approximately \$210 million in new projects awarded since June 30, 2010
- \$150 million credit facility renewed until June 2013

WATSONVILLE, Calif.--(BUSINESS WIRE)-- Granite Construction Incorporated (NYSE:GVA) today reported a net loss of \$6.7 million, or \$0.18 per diluted share, for the second quarter of 2010 compared with net income of \$17.9 million, or \$0.46 per diluted share, for the second quarter of 2009.

"Our 2010 construction season is in full swing despite a slow start in the second quarter," said, William G. Dorey, Granite President and Chief Executive Officer. "Although we were unable to build as much work as we would have liked in April and May, our June results were encouraging. However, as expected, gross margins are considerably lower as we build projects bid in this highly competitive environment."

Mr. Dorey continued, "Large Project Construction segment results for the second quarter include the initial work on the Queens Bored Tunnel and Houston Metro projects. Both of these projects are not expected to reach the profit recognition threshold until 2011. The profit associated with these two projects should lead to Large Project earnings growth next year."

Second-quarter 2010 Financial Results

Total Company

- Revenue totaled \$454.2 million compared with \$461.1 million in 2009.
- Gross profit margin was 11 percent, down from 18 percent in 2009, driven primarily by the lack of private-sector work and too much capacity for the available work in the marketplace.
- Operating income for the quarter was \$2.1 million compared with \$30.4 million in the prior year.
- Selling, general and administrative expenses for the second quarter were \$51.4 million compared with \$56.3 million for the same period last year, driven by a continuing effort to reduce the Company's overall cost structure.
- Net income attributable to noncontrolling interests was \$4.1 million compared with \$4.7 million in 2009.
- Total contract backlog at June 30, 2010 was \$1.6 billion, essentially flat compared with backlog at June 30, 2009. Second quarter 2010 backlog does not include approximately \$210 million associated with three projects awarded to date in the third quarter of 2010.
- The tax rate for the second quarter was 248.5 percent compared with 26.5 percent in 2009. This unusually high rate for the quarter is due to adjusting the year-to-date tax rate to the current estimate of 6 percent for fiscal 2010.

Construction

- Construction revenue for the quarter totaled \$237.9 million compared with \$277.5 million for the same period in 2009.
- Gross profit margin for the second quarter was 10 percent compared with 19 percent a year ago. The decrease is due to the lack of profitability associated with border fence work in 2010 as compared with 2009, as well as lower margin backlog due to the competitive markets and a slow start to the construction season in the West.

Large Project Construction

- Large Project Construction revenue for the quarter totaled \$153.3 million compared with \$125.8 million for the same period last year.
- Gross profit margin for the quarter decreased to 14 percent compared with 18 percent for the same period last year, reflecting an increase in revenue on projects that have yet to reach the profit recognition threshold.

Construction Materials

- Construction Materials revenue for the quarter totaled \$61.1 million compared with \$57.3 million for the same period last year.
- Gross profit on the sale of construction materials was \$4.5 million in 2010 compared with \$9.6 million in 2009. The decline reflects an increase in fixed costs related to new plants that came on line in late 2009 without a corresponding increase in sales.

Outlook

"This year is proving to be very challenging, particularly in the West," said Dorey. "Although the public works bidding activity in the Construction segment has been strong, the competitive climate is driving margins associated with that work substantially lower than in previous years. Based on our current outlook, we are updating our guidance for each of our segments. Revenue for the Construction segment is now expected to be between \$950.0 million and \$1.15 billion with a corresponding gross profit margin between 11 percent and 12 percent. Revenue for the Large Project Construction segment is expected to be between \$650.0 million and \$750.0 million with a corresponding gross profit margin between 10 and 11 percent. Construction Materials segment revenue is expected to be between \$175.0 million and \$225.0 million with a corresponding gross profit margin between 9 and 10 percent. Net income attributable to noncontrolling interests is expected to be approximately \$19.0 million for the year. The tax rate for 2010 is currently forecasted to be 6 percent.

"Additionally, we continue to focus considerable effort on optimizing our cost structure and lowering expenses across the Company. In 2010, our goal is to reduce SG&A by 10 percent compared with 2009 through reductions in headcount, discretionary spending and lower compensation expense," said Dorey.

Conference Call

Granite will conduct a conference call today, August 2, 2010, at 8 a.m. Pacific time/11 a.m. Eastern time to discuss the results of the quarter ended June 30, 2010. 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, or (706) 758-5304 for international listeners. The conference ID for the call is 86369247. The call will be recorded and will be available for replay from approximately two hours after the live audio webcast through August 13, 2010, by calling (800) 642-1687 or (706) 645-9291. The conference ID for the recording is 86369247.

About Granite

Granite Construction Incorporated is a member of the S&P 400 Midcap Index, the FTSE KLD 400 Social Index and the Russell 2000 Index. 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 news 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 of 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 BALANCE SHEETS

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

June 30,	December 31,	June 30,
2010	2009	2009

ASSETS

Current assets

Cash and cash equivalents	\$ 208,450	\$ 338,956	\$ 356,168
Short-term marketable securities	73,566	42,448	24,878
Receivables, net	295,779	280,252	281,432
Costs and estimated earnings in excess of billings	56,665	10,619	50,891
Inventories	48,529	45,800	68,755
Real estate held for development and sale	148,897	139,449	131,169
Deferred income taxes	31,870	31,034	43,314
Equity in construction joint ventures	72,571	67,693	50,215
Other current assets	39,031	50,467	46,719
Total current assets	975,358	1,006,718	1,053,541
Property and equipment, net	501,258	520,778	529,805
Long-term marketable securities	68,291	76,937	53,328
Investments in affiliates	31,210	24,644	17,310
Other noncurrent assets	79,060	80,498	80,300
Total assets	\$ 1,655,177	\$ 1,709,575	\$ 1,734,284

LIABILITIES AND EQUITY

Current liabilities									
Current maturities of long-term debt	\$	8,538	\$	15,017	\$	15,348			
Current maturities of non-recourse debt		39,657		43,961		49,500			
Accounts payable		173,637		131,251		177,025			
Billings in excess of costs and estimated earnings		144,935		156,041		184,665			
Accrued expenses and other current liabilities		161,632		159,843		168,217			
Total current liabilities									
		528,399		506,113		594,755			
Long-term debt									
		216,870		225,203		225,220			
Long-term non-recourse debt									
		16,615		19,485		8,455			
Other long-term liabilities									
		49,197		48,998		46,686			
Deferred income taxes									
		27,905		27,220		17,917			
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; 388,388 and outstanding 38,788,581 shares as of June 30, 2010, 388,635,021 shares as of December 31, 2009 and 38,673,034 shares as of June 30, 2009									
Additional paid-in capital		98,142		94,633		89,142			
Retained earnings		677,873		735,632		699,050			
Total Granite Construction Incorporated shareholders' equity									
		776,403		830,651		788,579			
Noncontrolling interests									
		39,788		51,905		52,672			
Total equity									
		816,191		882,556		841,251			
Total liabilities and equity					\$		\$		\$
		1,655,177		1,709,575		1,734,284			

GRANITE CONSTRUCTION INCORPORATED				
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS				
(Unaudited - in thousands, except per share data)				
Three Months Ended		Six Months Ended		
June 30,		June 30,		
2010	2009	2010	2009	
Revenue				
Construction	\$ 237,943	\$ 277,456	\$ 319,129	\$ 445,505
Large project construction	153,328	125,770	259,653	274,830
Construction materials	61,089	57,315	87,253	87,161
Real estate	1,844	534	8,852	951
Total revenue	454,204	461,075	674,887	808,447
Cost of revenue				
Construction	215,042	224,655	294,382	357,528
Large project construction	131,493	103,259	228,335	218,655
Construction materials	56,609	47,732	89,898	77,892
Real estate	1,362	1,534	6,860	1,741
Total cost of revenue	404,506	377,180	619,475	655,816
Gross profit				
	49,698	83,895	55,412	152,631
Selling, general and administrative expenses				
	56,575	56,319	106,649	110,674
Gain on sales of property and equipment				
	2,800	2,808	8,252	5,329
Operating income (loss)				
	2,141	30,384	(42,985)	47,286
Other income (expense)				
Interest income	1,098	1,109	2,037	3,170
Interest expense	(3,013)	(2,853)	(6,747)	(6,341)
Equity in (loss) income of affiliates	(387)	783	(706)	339
Other income, net	1,934	1,431	4,831	5,216

Total other (expense) income	(368)	470	(585)	2,384
Income (loss) before provision for (benefit from) income taxes		30,854	(43,570)	49,670
Provision for (benefit from) income taxes	4,466	8,187	(3,207)	13,016
Net (loss) income	(2,633)	22,667	(40,363)	36,654
Amount attributable to noncontrolling interests	(4,058)	(4,718)	(7,282)	(9,785)
Net (loss) income attributable to Granite Construction Incorporated		\$ 17,949	\$ (47,645)	\$ 26,869
Net (loss) income per share attributable to common shareholders:				
Basic (1)	\$ (0.18)	\$ 0.46	\$ (1.26)	\$ 0.70
Diluted (1)	\$ (0.18)	\$ 0.46	\$ (1.26)	\$ 0.70
Weighted average shares of common stock:				
Basic	37,850	37,584	37,770	37,530
Diluted	37,850	37,699	37,770	37,650

Note:

(1) Computed using the two-class method, except when in a net loss position

GRANITE CONSTRUCTION INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - in thousands)

Six Months Ended June 30,	2010	2009
Operating activities		
Net (loss) income	\$ (40,363)	\$ 36,654
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Impairment of real estate held for development and sale	107	1,036

Depreciation, depletion and amortization	35,839		39,670	
Provision for (recovery of) doubtful accounts	406		(3,386))
Gain on sales of property and equipment	(8,252)	)	(5,329))
Stock-based compensation	6,885		4,561	
Gain on company owned life insurance	(1,748))	-	
Changes in assets and liabilities, net of the effects of consolidations	(31,792)	)	(79,241))
Net cash used in operating activities	(38,918)	)	(6,035))
Investing activities				
Purchases of marketable securities	(60,073)	)	(39,043))
Maturities of marketable securities	34,900		27,610	
Proceeds from company owned life insurance	2,078		-	
Additions to property and equipment	(21,809)	)	(55,659))
Proceeds from sales of property and equipment	11,936		7,416	
Purchase of private preferred stock	(6,400))	-	
Contributions to affiliates	(1,014)	)	(4,971))
Issuance of notes receivable	(1,242))	-	
Collection of notes receivable	1,720		374	
Other investing activities	(333)	)	65	
Net cash used in investing activities	(40,237)	)	(64,208))
Financing activities				
Proceeds from long-term debt	95		4,911	
Long-term debt principal payments	(18,155)	)	(17,475))
Cash dividends paid	(10,067)	)	(10,003))
Purchase of common stock	(3,434)	)	(2,821))
Distributions to noncontrolling partners, net	(19,797)	)	(9,080))
Other financing activities	7		36	
Net cash used in financing activities	(51,351)	)	(34,432))
Decrease in cash and cash equivalents				
Decrease in cash and cash equivalents	(130,506)	)	(104,675))
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at beginning of period	338,956		460,843	
Cash and cash equivalents at end of period				
Cash and cash equivalents at end of period	\$ 208,450		\$ 356,168	

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GRANITE CONSTRUCTION INCORPORATED									
Business Segment Information									
(Unaudited - in thousands)									
Three Months Ended June 30,					Six Months Ended June 30,				
Large Project		Construction			Large Project		Construction		
Construction	Construction	Materials	Real Estate	Construction	Construction	Materials	Real Estate		
2010									
Revenue	\$ 237,943	\$ 153,328	\$ 61,089	\$ 1,844	\$ 319,129	\$ 259,653	\$ 87,253	\$ 8,852	
Gross profit (loss)	\$ 22,901	\$ 21,835	\$ 4,480	\$ 482	\$ 24,747	\$ 31,318	\$ (2,645)	\$ 1,992	
Gross profit (loss) as a percent of revenue	9.6 %	14.2 %	7.3 %	26.1 %	7.8 %	12.1 %	-3.0 %	22.5 %	
2009									
Revenue	\$ 277,456	\$ 125,770	\$ 57,315	\$ 534	\$ 445,505	\$ 274,830	\$ 87,161	\$ 951	
Gross profit (loss)	\$ 52,801	\$ 22,511	\$ 9,583	\$ (1,000)	\$ 87,977	\$ 56,175	\$ 9,269	\$ (790)	
Gross profit (loss) as a percent of revenue	19.0 %	17.9 %	16.7 %	-187.3%	19.7 %	20.4 %	10.6 %	-83.1 %	

GRANITE CONSTRUCTION INCORPORATED									
Contract Backlog by Segment									
(Unaudited - in thousands)									
June 30, 2010			March 31, 2010			June 30, 2009			
Construction	\$	594,214	38.3 %	\$	487,751	30.9 %	\$	687,696	44.9 %
Large project construction		957,080	61.7 %		1,091,251	69.1 %		844,547	55.1 %
Total	\$	1,551,294	100.0 %	\$	1,579,002	100.0 %	\$	1,532,243	100.0 %

