Vulcan Materials CO
Form 10-Q
August 04, 2010

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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 **June 30, 2010**
OR

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

For the transition period from to
Commission File Number **001-33841**
VULCAN MATERIALS COMPANY
(Exact name of registrant as specified in its charter)

New Jersey	**20-8579133**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
1200 Urban Center Drive, Birmingham, Alabama	**35242**
(Address of principal executive offices)	(zip code)

(205) 298-3000 (Registrant s telephone number including area code)

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Class	Shares outstanding at June 30, 2010
Common Stock, $1 Par Value	128,269,559

VULCAN MATERIALS COMPANY
FORM 10-Q
QUARTER ENDED June 30, 2010

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PART I FINANCIAL INFORMATION

Item 1 Financial Statements

Condensed Consolidated Balance Sheets

Vulcan Materials Company and Subsidiary Companies

Unaudited, except for December 31 Amounts in thousands, except per share data	**June 30 2010**	December 31 2009	June 30 2009 As restated see Note 1
Assets			
Cash and cash equivalents	**$42,173**	$22,265	$43,711
Restricted cash	**3,746**	0	0
Medium-term investments	**3,910**	4,111	6,755
Accounts and notes receivable			
Accounts and notes receivable, gross	**398,613**	276,746	394,938
Less: Allowance for doubtful accounts	**(9,290)**	(8,722)	(9,437)
Accounts and notes receivable, net	**389,323**	268,024	385,501
Inventories			
Finished products	**246,956**	261,752	290,451
Raw materials	**23,114**	21,807	32,035
Products in process	**3,784**	3,907	5,133
Operating supplies and other	**37,486**	37,567	35,964
Inventories	**311,340**	325,033	363,583
Deferred income taxes	**59,525**	57,967	69,080
Prepaid expenses	**42,422**	50,817	58,425
Assets held for sale	**14,864**	15,072	0
Total current assets	**867,303**	743,289	927,055
Investments and long-term receivables	**34,078**	33,283	30,614
Property, plant & equipment			
Property, plant & equipment, cost	**6,632,580**	6,653,261	6,672,394
Reserve for depr., depl. & amort.	**(2,915,565)**	(2,778,590)	(2,644,146)
Property, plant & equipment, net	**3,717,015**	3,874,671	4,028,248
Goodwill	**3,093,979**	3,093,979	3,093,979
Other intangible assets, net	**681,059**	682,643	683,092
Other assets	**101,610**	105,085	87,339
Total assets	**$8,495,044**	$8,532,950	$8,850,327
Liabilities			
Current maturities of long-term debt	**$425,300**	$385,381	$60,417
Short-term borrowings	**320,000**	236,512	412,300
Trade payables and accruals	**168,269**	121,324	145,744
Other current liabilities	**160,151**	113,109	130,103
Liabilities of assets held for sale	**409**	369	0

Total current liabilities	**1,074,129**	856,695	748,564
Long-term debt	**2,001,180**	2,116,120	2,521,190
Deferred income taxes	**836,702**	887,268	928,687
Other noncurrent liabilities	**538,929**	620,845	617,651
Total liabilities	**4,450,940**	4,480,928	4,816,092
Other commitments and contingencies (Notes 13 & 19)			
Shareholders equity			
Common stock, $1 par value	**128,270**	125,912	124,989
Capital in excess of par value	**2,477,672**	2,368,228	2,316,507
Retained earnings	**1,625,620**	1,752,240	1,774,113
Accumulated other comprehensive loss	**(187,458)**	(194,358)	(181,374)
Shareholders equity	**4,044,104**	4,052,022	4,034,235
Total liabilities and shareholders equity	**$8,495,044**	$8,532,950	$8,850,327

See accompanying Notes to Condensed Consolidated Financial Statements

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Condensed Consolidated Statements of Earnings
Vulcan Materials Company and Subsidiary Companies

	Three Months Ended June 30		Six Months Ended June 30	
Unaudited	**2010**	2009	**2010**	2009
Amounts and shares in thousands, except per share data				
Net sales	**$692,758**	$681,380	**$1,157,293**	$1,249,275
Delivery revenues	**43,394**	40,479	**72,122**	72,878
Total revenues	**736,152**	721,859	**1,229,415**	1,322,153
Cost of goods sold	**570,423**	535,546	**1,034,063**	1,025,834
Delivery costs	**43,394**	40,479	**72,122**	72,878
Cost of revenues	**613,817**	576,025	**1,106,185**	1,098,712
Gross profit	**122,335**	145,834	**123,230**	223,441
Selling, administrative and general expenses	**83,376**	79,353	**169,872**	159,070
Gain on sale of property, plant & equipment and businesses, net	**1,362**	654	**49,734**	3,157
Charge for legal settlement	**40,000**	0	**40,000**	0
Other operating income (expense), net	**889**	(1,451)	**1,347**	(3,170)
Operating earnings (loss)	**1,210**	65,684	**(35,561)**	64,358
Other income (expense), net	**(1,233)**	2,895	**144**	1,820
Interest income	**481**	687	**971**	1,482
Interest expense	**44,204**	44,073	**87,987**	87,992
Earnings (loss) from continuing operations before income taxes	**(43,746)**	25,193	**(122,433)**	(20,332)
Provision (benefit) for income taxes	**(21,231)**	9,632	**(55,444)**	(3,638)
Earnings (loss) from continuing operations	**(22,515)**	15,561	**(66,989)**	(16,694)
Earnings (loss) on discontinued operations, net of tax (Note 2)	**(1,477)**	6,651	**4,250**	6,125
Net earnings (loss)	**($23,992)**	$22,212	**($62,739)**	($10,569)
Basic earnings (loss) per share				
Continuing operations	**($0.18)**	$0.14	**($0.53)**	($0.15)
Discontinued operations	**(0.01)**	0.06	**0.04**	0.06
Net earnings (loss) per share	**($0.19)**	$0.20	**($0.49)**	($0.09)

Diluted earnings (loss) per share				
Continuing operations	**($0.18)**	$0.14	**($0.53)**	($0.15)
Discontinued operations	**(0.01)**	0.06	**0.04**	0.06
Net earnings (loss) per share	**($0.19)**	$0.20	**($0.49)**	($0.09)
Weighted-average common shares outstanding				
Basic	**128,168**	113,477	**127,452**	112,045
Assuming dilution	**128,168**	113,829	**127,452**	112,045
Cash dividends declared per share of common stock	**$0.25**	$0.49	**$0.50**	$0.98
Depreciation, depletion, accretion and amortization	**$97,280**	$99,600	**$191,476**	$198,915
Effective tax rate from continuing operations	**48.5%**	38.2%	**45.3%**	17.9%

See accompanying Notes to Condensed Consolidated Financial Statements

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Condensed Consolidated Statements of Cash Flows
Vulcan Materials Company and Subsidiary Companies

Unaudited Amounts in thousands	Six Months Ended June 30 **2010**	 2009
Operating Activities		
Net loss	**($62,739)**	($10,569)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation, depletion, accretion and amortization	**191,476**	198,915
Net gain on sale of property, plant & equipment and businesses	**(58,527)**	(3,880)
Contributions to pension plans	**(21,075)**	(2,242)
Share-based compensation	**10,524**	14,010
Deferred tax provision	**(54,755)**	5,671
Changes in assets and liabilities before initial effects of business acquisitions and dispositions	**2,585**	(35,850)
Other, net	**11,167**	3,347
Net cash provided by operating activities	**18,656**	169,402
Investing Activities		
Purchases of property, plant & equipment	**(42,158)**	(60,101)
Proceeds from sale of property, plant & equipment	**3,224**	4,051
Proceeds from sale of businesses, net of transaction costs	**50,954**	11,537
Payment for businesses acquired, net of acquired cash	**0**	(36,980)
Increase in restricted cash	**(3,746)**	0
Redemption of medium-term investments	**22**	30,590
Other, net	**(305)**	714
Net cash provided by (used for) investing activities	**7,991**	(50,189)
Financing Activities		
Net short-term borrowings (payments)	**83,488**	(672,176)
Payment of current maturities and long-term debt	**(75,188)**	(281,461)
Proceeds from issuance of long-term debt, net of discounts	**0**	397,660
Debt issuance costs	**0**	(3,033)
Proceeds from issuance of common stock	**35,314**	578,237
Dividends paid	**(63,600)**	(108,752)
Proceeds from exercise of stock options	**12,597**	3,697
Other, net	**650**	132
Net cash used for financing activities	**(6,739)**	(85,696)
Net increase in cash and cash equivalents	**19,908**	33,517

Cash and cash equivalents at beginning of year	**22,265**	10,194
Cash and cash equivalents at end of period	**$42,173**	$43,711

See accompanying Notes to Condensed Consolidated Financial Statements

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Notes to Condensed Consolidated Financial Statements

Vulcan Materials Company and Subsidiary Companies

Note 1 Basis of Presentation

Our accompanying unaudited condensed consolidated financial statements were prepared in compliance with the instructions to Form 10-Q and Article 10 of Regulation S-X and thus do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of our management, the statements reflect all adjustments, including those of a normal recurring nature, necessary to present fairly the results of the reported interim periods. Operating results for the three and six month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010. For further information, refer to the consolidated financial statements and footnotes included in our most recent Annual Report on Form 10-K.

We disaggregated our asphalt mix and concrete operating segments for reporting purposes as of January 1, 2010 (see Note 17).

Due to the 2005 sale of our Chemicals business as presented in Note 2, the operating results of the Chemicals business are presented as discontinued operations in the accompanying Condensed Consolidated Statements of Earnings.

Restricted Cash We identified a portion of the proceeds from the disposition of three aggregates facilities during the first quarter of 2010 (see Note 14) for potential use in IRS Section 1031 like-kind exchange transactions. This cash is restricted from withdrawal or usage as of June 30, 2010. The restriction expires in the third quarter of 2010.

Correction of Prior Period Financial Statements During the third quarter of 2009, we completed a comprehensive analysis of our deferred income tax balances and concluded that our deferred income tax liabilities were overstated. The errors arose during the fourth quarter of 2008 and during periods prior to January 1, 2006, and were not material to previously issued financial statements. However, correcting the errors in 2009 would have materially impacted that year s deferred tax provision. As a result, we restated all affected prior period financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009 and our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009.

A summary of the effects of the correction of the errors on our Condensed Consolidated Balance Sheet as of June 30, 2009 is presented in the table below (in thousands of dollars):

	June 30, 2009		
	As Reported	Corrections	As Restated
Goodwill	$3,091,524	$2,455	$3,093,979
Total assets	$8,847,872	$2,455	$8,850,327
Deferred income taxes	$957,248	($28,561)	$928,687
Total liabilities	$4,844,653	($28,561)	$4,816,092
Retained earnings	$1,743,097	$31,016	$1,774,113
Shareholders equity	$4,003,219	$31,016	$4,034,235
	$8,847,872	$2,455	$8,850,327

Total liabilities and shareholders equity

Note 2 Discontinued Operations

In June 2005, we sold substantially all the assets of our Chemicals business to Basic Chemicals, a subsidiary of Occidental Chemical Corporation. In addition to the initial cash proceeds, Basic Chemicals was required to make payments under two earn-out agreements subject to certain conditions. During 2007, we received the final payment under the ECU (electrochemical unit) earn-out, bringing cumulative cash receipts to its $150,000,000 cap.

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Proceeds under the second earn-out agreement are determined based on the performance of the hydrochlorocarbon product HCC-240fa (commonly referred to as 5CP) from the closing of the transaction through December 31, 2012 (5CP earn-out). Under this earn-out agreement, cash plant margin for 5CP, as defined in the Asset Purchase Agreement, in excess of an annual threshold amount is shared equally between Vulcan and Basic Chemicals. The primary determinant of the value for this earn-out is the level of growth in 5CP sales volume. At the June 7, 2005 closing date, the value assigned to the 5CP earn-out was limited to an amount that resulted in no gain on the sale of the business, as the gain was contingent in nature. A gain on disposal of the Chemicals business is recognized to the extent cumulative cash receipts under the 5CP earn-out exceed the initial value recorded.

In March 2010, we received a payment of $8,794,000 (recorded as gain on disposal of discontinued operations) under the 5CP earn-out related to performance during the year ended December 31, 2009. Any future payments received pursuant to the 5CP earn-out will be recorded as additional gain on disposal of discontinued operations. During 2009, we received $11,625,000 under the 5CP earn-out related to the year ended December 31, 2008. These 2009 receipts resulted in a gain on disposal of discontinued operations of $812,000 for 2009. Through June 30, 2010, we have received a total of $42,707,000 under the 5CP earn-out, a total of $9,606,000 in excess of the receivable recorded on the date of disposition.

We are liable for a cash transaction bonus payable to certain former key Chemicals employees. This transaction bonus is payable if cash receipts realized from the two earn-out agreements described above exceed an established minimum threshold. The bonus is payable annually based on the prior year s results. We expect the 2010 payout will be approximately $882,000 and have accrued this amount as of June 30, 2010. In comparison, we had accrued approximately $728,000 as of June 30, 2009.

There were no net sales or revenues from discontinued operations during the six month periods ended June 30, 2010 or 2009. Results from discontinued operations are as follows (in thousands of dollars):

	Three Months Ended June 30		**Six Months Ended June 30**	
	2010	2009	**2010**	2009
Discontinued operations				
Earnings (loss) from results	**($1,821)**	$11,121	**($860)**	$9,721
Gain on disposal, net of transaction bonus	**(2)**	(28)	**7,912**	495
Income tax (provision) benefit	**346**	(4,442)	**(2,802)**	(4,091)
Earnings (loss) on discontinued operations, net of tax	**($1,477)**	$6,651	**$4,250**	$6,125

The 2010 pretax losses from results of discontinued operations of ($1,821,000) for the second quarter and ($860,000) for the six months ended June 30, 2010 are due primarily to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business. The pretax earnings from results of discontinued operations in 2009 of $11,121,000 for the second quarter and $9,721,000 for the six months ended June 30, 2009 relate primarily to a settlement during the second quarter with one of our insurers in the Modesto case (lawsuit settled in October 2007 involving the perchloroethylene product) resulting in a $12,238,000 pretax gain, after deducting legal fees and other expenses. The insurance proceeds and associated gain represent a partial recovery of legal and settlement costs recognized in prior periods.

Note 3 Earnings Per Share (EPS)

We report two earnings per share numbers: basic and diluted. These are computed by dividing net earnings (loss) by the weighted-average common shares outstanding (basic EPS) or weighted-average common shares outstanding assuming dilution (diluted EPS) as set forth below (in thousands of shares):

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Weighted-average common shares outstanding	**128,168**	113,477	**127,452**	112,045
Dilutive effect of				
Stock options/SOSARs	**0**	144	**0**	0
Other stock compensation plans	**0**	208	**0**	0
Weighted-average common shares outstanding, assuming dilution	**128,168**	113,829	**127,452**	112,045

All dilutive common stock equivalents are reflected in our earnings per share calculations. Antidilutive common stock equivalents are not included in our earnings per share calculations. Because we operated at a loss for the three and six month periods ended June 30, 2010 and the six month period ended June 30, 2009, 513,000 shares, 533,000 shares and 464,000 shares, respectively, that otherwise would have been included in our diluted weighted-average common shares outstanding computation, were excluded.

The number of antidilutive common stock equivalents for which the exercise price exceeds the weighted-average market price, are as follows (in thousands of shares):

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Antidilutive common stock equivalents	**4,067**	5,104	**4,254**	3,823

Note 4 Income Taxes

Our effective tax rate is based on expected income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate. For interim financial reporting, except in circumstances as described in the following paragraph, we estimate the annual tax rate based on projected taxable income for the full year and record a quarterly tax provision in accordance with the anticipated annual rate. As the year progresses, we refine the estimates of the year s taxable income as new information becomes available, including year-to-date financial results. This continual estimation process often results in a change to our expected effective tax rate for the year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual tax rate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions.

When application of the estimated annual effective tax rate distorts the financial results of an interim period, we calculate the income tax provision or benefit using an alternative methodology as prescribed by accounting standards. This alternative methodology results in an income tax provision or benefit based solely on the year-to-date pretax loss as adjusted for permanent differences on a pro rata basis.

We recognize a tax benefit associated with an uncertain tax position when, in our judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing

authority. Our liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case

law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. Our effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as we consider appropriate.

We applied the alternative methodology discussed above in the determination of the income tax benefit from continuing operations for the three and six month periods ending June 30, 2010. We recognized a tax benefit from continuing operations of $21,231,000 for the second quarter and $55,444,000 for the six months ended June 30, 2010. In 2009, we recognized tax expense from continuing operations of $9,632,000 for the second quarter and a tax benefit from continuing operations of $3,638,000 for the six months ended June 30, 2009. The increase in our income tax benefit, after recording the effect of the pretax loss at the statutory rate, resulted largely from applying the alternative methodology in 2010.

Note 5 Medium-term Investments

We held investments in money market and other money funds at The Reserve, an investment management company specializing in such funds, as follows: June 30, 2010 $5,532,000, December 31, 2009 $5,554,000 and June 30, 2009 $8,247,000. The substantial majority of our investment was held in the Reserve International Liquidity Fund, Ltd. On September 15, 2008, Lehman Brothers Holdings Inc. filed for bankruptcy protection. In the following days, The Reserve announced that it was closing all of its money funds, some of which owned Lehman Brothers securities, and was suspending redemptions from and purchases of its funds, including the Reserve International Liquidity Fund. As a result of the temporary suspension of redemptions and the uncertainty as to the timing of such redemptions, we changed the classification of our investments in The Reserve funds from cash and cash equivalents to medium-term investments and reduced the carrying value of our investment to its estimated fair value, as follows: June 30, 2010 $3,910,000, December 31, 2009 $4,111,000 and June 30, 2009 $6,755,000. See Note 7 for further discussion of the fair value determination.

The Reserve redeemed $22,000 of our investment during the six months ended June 30, 2010 and $30,590,000 during the six months ended June 30, 2009. Based on public statements issued by The Reserve and the maturity dates of the underlying investments, we believe that proceeds from the liquidation of the money funds in which we have investments will be received within twelve months of June 30, 2010, and therefore, such investments are classified as current.

Note 6 Derivative Instruments

During the normal course of operations, we are exposed to market risks including fluctuations in interest rates, fluctuations in foreign currency exchange rates and changes in commodity pricing. From time to time, and consistent with our risk management policies, we use derivative instruments to hedge against these market risks. We do not utilize derivative instruments for trading or other speculative purposes. The interest rate swap agreements described below were designated as cash flow hedges of future interest payments.

In December 2007, we issued $325,000,000 of 3-year floating (variable) rate notes that bear interest at 3-month London Interbank Offered Rate (LIBOR) plus 1.25% per annum. Concurrently, we entered into a 3-year interest rate swap agreement in the stated (notional) amount of $325,000,000. Under this agreement, we pay a fixed interest rate of 5.25% and receive 3-month LIBOR plus 1.25% per annum. Concurrent with each quarterly interest payment, the portion of this swap related to that interest payment is settled and the associated realized gain or loss is recognized. The pretax loss of $5,614,000 accumulated in Other Comprehensive Income (OCI) related to this interest rate swap will be reclassified to earnings by the end of the current year in conjunction with the retirement of the related debt.

Additionally, during 2007, we entered into fifteen forward starting interest rate swap agreements for a total notional amount of $1,500,000,000. On December 11, 2007, upon the issuance of the related fixed-rate debt, we terminated and settled for a cash payment of $57,303,000 a portion of these forward starting swaps with an aggregate notional amount of $900,000,000 ($300,000,000 5-year, $350,000,000

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10-year and $250,000,000 30-year). In December 2007, the remaining forward starting swaps on an aggregate notional amount of $600,000,000 were extended to August 29, 2008. On June 20, 2008, upon the issuance of $650,000,000 of related fixed-rate debt, we terminated and settled for a cash payment of $32,474,000 the remaining forward starting swaps. Amounts accumulated in other comprehensive loss are being amortized to interest expense over the term of the related debt. For the 12-month period ending June 30, 2011, we estimate that $7,908,000 of the pretax loss accumulated in OCI will be reclassified to earnings.
Derivative instruments are recognized at fair value in the accompanying Condensed Consolidated Balance Sheets. Fair values of derivative instruments designated as hedging instruments are as follows (in thousands of dollars):

		Fair Value[1]		
	Balance Sheet Location	**June 30 2010**	December 31 2009	June 30 2009
Liability derivatives				
Interest rate derivatives	Other current liabilities	**$5,614**	$11,193	$0
Interest rate derivatives	Other noncurrent liabilities	**0**	0	14,069
Total derivatives liability		**$5,614**	$11,193	$14,069

1 See Note 7 for further discussion of the fair value determination.

The effects of the cash flow hedge derivative instruments on the accompanying Condensed Consolidated Statements of Earnings for the three and six months ended June 30 are as follows (in thousands of dollars):

	Location on Statement	Three Months Ended June 30		Six Months Ended June 30	
		2010	2009	**2010**	2009
Interest rate derivatives					
Gain (loss) recognized in OCI (effective portion)	Note 8	**$234**	($871)	**($574)**	($1,670)
Loss reclassified from Accumulated OCI (effective portion)	Interest expense	**(4,997)**	(3,957)	**(9,895)**	(7,327)

Note 7 Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as described below:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs that are derived principally from or corroborated by observable market data;
Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Our assets and liabilities that are subject to fair value measurements on a recurring basis are summarized below (in thousands of dollars):

	Level 1		
	June 30 2010	December 31 2009	June 30 2009
Fair value recurring			
Rabbi Trust			
Mutual funds	**$10,787**	$10,490	$9,245
Equities	**7,236**	8,472	6,562
Net asset	**$18,023**	$18,962	$15,807

	Level 2		
	June 30 2010	December 31 2009	June 30 2009
Fair value recurring			
Medium-term investments	**$3,910**	$4,111	$6,755
Interest rate derivative	**(5,614)**	(11,193)	(14,069)
Rabbi Trust			
Common/collective trust funds	**3,185**	4,084	3,816
Net asset (liability)	**$1,481**	($2,998)	($3,498)

The fair values of the Rabbi Trust investments are estimated using a market approach. The Level 1 investments include mutual funds and equity securities for which quoted prices in active markets are available. Investments in common/collective trust funds are stated at estimated fair value based on the underlying investments in those funds. The underlying investments are comprised of short-term, highly liquid assets in commercial paper, short-term bonds and treasury bills.

The medium-term investments are comprised of money market and other money funds, as more fully described in Note 5. Using a market approach, we estimated the fair value of these funds by applying our historical distribution ratio to the liquidated value of investments in The Reserve funds. Additionally, we estimated a discount against our investment balances to allow for the risk that legal and accounting costs and pending or threatened claims and litigation against The Reserve and its management may reduce the principal available for distribution.

The interest rate derivative consists of an interest rate swap agreement applied to our $325,000,000 3-year notes issued December 2007 and is more fully described in Note 6. This interest rate swap is measured at fair value using a market approach based on the prevailing market interest rate as of the measurement date.

The carrying values of our cash equivalents, restricted cash, accounts and notes receivable, current maturities of long-term debt, trade payables, accrued expenses and short-term borrowings approximate their fair values because of the short-term nature of these instruments. Additional disclosures for derivative instruments and interest-bearing debt are presented in Notes 6 and 11, respectively.

Note 8 Comprehensive Income

Comprehensive income (loss) includes charges and credits to equity from nonowner sources and comprises two subsets: net earnings (loss) and other comprehensive income (loss). Total comprehensive income (loss) comprises the following (in thousands of dollars):

	Three Months Ended June 30		**Six Months Ended June 30**	
	2010	2009	**2010**	2009
Net earnings (loss)	**($23,992)**	$22,212	**($62,739)**	($10,569)
Other comprehensive income (loss)				
Fair value adjustments to cash flow hedges, net of tax	**124**	(519)	**(320)**	(995)
Reclassification adjustment for cash flow hedges included in net income (loss), net of tax	**2,645**	2,352	**5,498**	4,334
Amortization of pension and postretirement plan actuarial loss and prior service cost, net of tax	**823**	294	**1,722**	569
Total comprehensive income (loss)	**($20,400)**	$24,339	**($55,839)**	($6,661)

Amounts accumulated in other comprehensive loss, net of tax, are as follows (in thousands of dollars):

	June 30 2010	December 31 2009	June 30 2009
Cash flow hedges	**($44,187)**	($49,365)	($53,180)
Pension and postretirement plans	**(143,271)**	(144,993)	(128,194)
Accumulated other comprehensive loss	**($187,458)**	($194,358)	($181,374)

Note 9 Shareholders Equity

In March 2010, we issued 1,190,000 shares of common stock to our qualified pension plan (par value of $1 per share) as described in Note 10. The transaction increased shareholders equity by $53,864,000 (common stock $1,190,000 and capital in excess of par $52,674,000).

In June 2009, we completed a public offering of common stock (par value of $1 per share) resulting in the issuance of 13,225,000 common shares at a price of $41.00 per share. The total number of shares issued through the offering included 1,725,000 shares issued upon full exercise of the underwriters option to purchase additional shares. We received net proceeds of $519,993,000 (net of commissions and transaction costs of $22,232,000) from the sale of the shares. The net proceeds from the offering were used for debt reduction and general corporate purposes. The transaction increased shareholders equity by $519,993,000 (common stock $13,225,000 and capital in excess of par $506,768,000).

We periodically issue shares of common stock to the trustee of our 401(k) savings and retirement plan to satisfy the plan participants elections to invest in our common stock. The resulting cash proceeds provide a means of improving cash flow, increasing shareholders equity and reducing leverage. Under this arrangement, the stock issuances and resulting cash proceeds were as follows: six months ended June 30, 2010 issued 768,735 shares for cash proceeds of $35,314,000 and a receivable of $1,453,000; six months ended June 30, 2009 issued 561,529 shares for cash proceeds of $24,295,000.

On November 16, 2007, pursuant to the terms of the agreement to acquire Florida Rock, all treasury stock held immediately prior to the close of the transaction was canceled. Our Board of Directors resolved to carry forward the existing authorization to purchase common stock. As of June 30, 2010, 3,411,416 shares remained under the current authorization.

There were no shares purchased during the six month periods ended June 30, 2010 and 2009, and there were no shares held in treasury as of June 30, 2010, December 31, 2009 and June 30, 2009.

Note 10 Benefit Plans

The following tables set forth the components of net periodic benefit cost (in thousands of dollars):

PENSION BENEFITS	**Three Months Ended June 30**		**Six Months Ended June 30**	
	2010	2009	**2010**	2009
Components of net periodic benefit cost				
Service cost	**$4,800**	$4,658	**$9,608**	$9,319
Interest cost	**10,406**	10,485	**20,811**	20,970
Expected return on plan assets	**(12,526)**	(11,582)	**(25,061)**	(23,252)
Amortization of prior service cost	**115**	115	**230**	230
Amortization of actuarial loss	**1,540**	426	**2,876**	826
Net periodic pension benefit cost	**$4,335**	$4,102	**$8,464**	$8,093

Pretax reclassification from OCI included in net periodic pension benefit cost	**$1,655**	$541	**$3,106**	$1,056

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OTHER POSTRETIREMENT BENEFITS	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	**2010**	2009
Components of net periodic benefit cost				
Service cost	**$1,067**	$978	**$2,133**	$1,956
Interest cost	**1,662**	1,761	**3,325**	3,522
Amortization of prior service credit	**(182)**	(206)	**(364)**	(412)
Amortization of actuarial loss	**222**	150	**444**	299
Net periodic postretirement benefit cost	**$2,769**	$2,683	**$5,538**	$5,365
Pretax reclassification from OCI included in net periodic postretirement benefit cost	**$40**	($56)	**$80**	($113)

The reclassifications from other comprehensive income (OCI) noted in the tables above are related to amortization of prior service costs or credits and actuarial losses.

In March 2010, we contributed $72,500,000 ($18,636,000 in cash and $53,864,000 in stock 1,190,000 shares valued at $45.26 per share) to our qualified pension plans for the 2009 plan year. This contribution, along with the existing funding credits, should be sufficient to cover expected required contributions to the qualified plans through 2012. During the six months ended June 30, 2010 and 2009, contributions of $74,938,000 and $2,242,000, respectively, were made to our pension plans (qualified and nonqualified).

Note 11 Credit Facilities, Short-term Borrowings and Long-term Debt

Short-term borrowings are summarized as follows (in thousands of dollars):

	June 30 2010	December 31 2009	June 30 2009
Short-term borrowings			
Bank borrowings	**$0**	$0	$46,000
Commercial paper	**320,000**	236,512	366,300
Total short-term borrowings	**$320,000**	$236,512	$412,300
Bank borrowings			
Maturity	**n/a**	n/a	1 day
Weighted-average interest rate	**n/a**	n/a	0.62%
Commercial paper			
Maturity	**1 to 2 days**	42 days	1 to 43 days
Weighted-average interest rate	**0.70%**	0.39%	0.72%

We utilize our bank lines of credit as liquidity back-up for outstanding commercial paper or draw on the bank lines to access LIBOR-based short-term loans to fund our borrowing requirements. Periodically, we issue commercial paper

for general corporate purposes, including working capital requirements.

Our policy is to maintain committed credit facilities at least equal to our outstanding commercial paper. Unsecured bank lines of credit totaling $1,500,000,000 were maintained at June 30, 2010, all of which expire November 16, 2012. As of June 30, 2010, there were no borrowings under the lines of credit. Interest rates referable to borrowings under these lines of credit are determined at the time of borrowing based on current market conditions. Pricing of bank loans, if any lines were drawn, would be 30 basis points (0.3%) over LIBOR based on our long-term debt ratings at June 30, 2010.

All lines of credit extended to us in 2010 and 2009 were based solely on a commitment fee; no compensating balances were required. In the normal course of business, we maintain balances for which

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we are credited with earnings allowances. To the extent the earnings allowances are not sufficient to fully compensate banks for the services they provide, we pay the fee equivalent for the differences.
As of June 30, 2010, $3,636,000 of our long-term debt, including current maturities, was secured. This secured debt was assumed with the November 2007 acquisition of Florida Rock. All other debt obligations, both short-term borrowings and long-term debt, are unsecured.
In February 2009, we issued $400,000,000 of long-term notes in two related series (tranches), as follows: $150,000,000 of 10.125% coupon notes due December 2015 and $250,000,000 of 10.375% coupon notes due December 2018. The proceeds were used primarily to repay outstanding borrowings. The notes are presented in the table below net of unamortized discounts from par. Discounts and debt issuance costs are being amortized using the effective interest method over the respective lives of the notes.
Long-term debt is summarized as follows (in thousands of dollars):

	June 30 2010	December 31 2009	June 30 2009
Long-term debt			
10.125% 2015 notes issued 2009[1]	**$149,567**	$149,538	$149,511
10.375% 2018 notes issued 2009[2]	**248,329**	248,270	248,213
3-year floating loan issued 2008	**100,000**	175,000	255,000
6.30% 5-year notes issued 2008[3]	**249,680**	249,632	249,587
7.00% 10-year notes issued 2008[4]	**399,641**	399,625	399,610
3-year floating notes issued 2007	**325,000**	325,000	325,000
5.60% 5-year notes issued 2007[5]	**299,719**	299,666	299,615
6.40% 10-year notes issued 2007[6]	**349,844**	349,837	349,829
7.15% 30-year notes issued 2007[7]	**249,321**	249,317	249,314
Private placement notes	**15,181**	15,243	15,309
Medium-term notes	**21,000**	21,000	21,000
Industrial revenue bonds	**17,550**	17,550	17,550
Other notes	**1,648**	1,823	2,069
Total debt excluding short-term borrowings	**$2,426,480**	$2,501,501	$2,581,607
Less current maturities of long-term debt	**425,300**	385,381	60,417
Total long-term debt	**$2,001,180**	$2,116,120	$2,521,190
Estimated fair value of total long-term debt	**$2,240,447**	$2,300,522	$2,499,454

[1] Includes decreases for unamortized discounts, as follows: June 30, 2010 - $433 thousand, December 31, 2009 - $462 thousand and June 30, 2009 -

$489 thousand. The effective interest rate for these 2015 notes is 10.305%.

[2] Includes decreases for unamortized discounts, as follows:
June 30, 2010 - $1,671 thousand, December 31, 2009 - $1,730 thousand and June 30, 2009 - $1,787 thousand. The effective interest rate for these 2018 notes is 10.584%.

[3] Includes decreases for unamortized discounts, as follows:
June 30, 2010 - $320 thousand, December 31, 2009 - $368 thousand and June 30, 2009 - $413 thousand. The effective interest rate for these 5-year notes is 7.47%.

[4] Includes decreases for unamortized discounts, as follows:
June 30, 2010 - $359 thousand, December 31, 2009 - $375

thousand and June 30, 2009 - $390 thousand. The effective interest rate for these 10-year notes is 7.86%.

[5] Includes decreases for unamortized discounts, as follows: June 30, 2010 - $281 thousand, December 31, 2009 - $334 thousand and June 30, 2009 - $385 thousand. The effective interest rate for these 5-year notes is 6.58%.

[6] Includes decreases for unamortized discounts, as follows: June 30, 2010 - $156 thousand, December 31, 2009 - $163 thousand and June 30, 2009 - $171 thousand. The effective interest rate for these 10-year notes is 7.39%.

[7] Includes decreases for unamortized discounts, as follows: June 30, 2010 - $679 thousand, December 31, 2009 - $683

thousand and June 30, 2009 - $686 thousand. The effective interest rate for these 30-year notes is 8.04%.

The estimated fair values of long-term debt presented in the table above were determined by discounting expected future cash flows based on credit-adjusted interest rates on U.S. Treasury bills, notes or bonds, as appropriate. The fair value estimates were based on information available to us as of the respective balance sheet dates. Although we are not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued since those dates.

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Our debt agreements do not subject us to contractual restrictions with regard to working capital or the amount we may expend for cash dividends and purchases of our stock. The percentage of consolidated debt to total capitalization (total debt as a percentage of total capital), as defined in our bank credit facility agreements, must be less than 65%. Our total debt as a percentage of total capital was 40.4% as of June 30, 2010; 40.3% as of December 31, 2009; and 42.6% as of June 30, 2009.

Note 12 Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of long-lived assets resulting from the acquisition, construction, development and/or normal use of the underlying assets.

Recognition of a liability for an asset retirement obligation is required in the period in which it is incurred at its estimated fair value. The associated asset retirement costs are capitalized as part of the carrying amount of the underlying asset and depreciated over the estimated useful life of the asset. The liability is accreted through charges to operating expenses. If the asset retirement obligation is settled for other than the carrying amount of the liability, we recognize a gain or loss on settlement.

We record all asset retirement obligations for which we have legal obligations for land reclamation at estimated fair value. Essentially all these asset retirement obligations relate to our underlying land parcels, including both owned properties and mineral leases. For the three and six month periods ended June 30, we recognized asset retirement obligation (ARO) operating costs related to accretion of the liabilities and depreciation of the assets as follows (in thousands of dollars):

	Three Months Ended June 30		**Six Months Ended June 30**	
	2010	2009	**2010**	2009
ARO operating costs				
Accretion	**$2,255**	$2,333	**$4,444**	$4,605
Depreciation	**3,157**	3,288	**6,340**	6,891
Total	**$5,412**	$5,621	**$10,784**	$11,496

ARO operating costs for our continuing operations are reported in cost of goods sold. Asset retirement obligations are reported within other noncurrent liabilities in our accompanying Condensed Consolidated Balance Sheets.

Reconciliations of the carrying amounts of our asset retirement obligations are as follows (in thousands of dollars):

	Three Months Ended June 30		**Six Months Ended June 30**	
	2010	2009	**2010**	2009
Asset retirement obligations				
Balance at beginning of period	$163,931	$173,774	$167,757	$173,435
Liabilities incurred	1,441	0	1,441	334
Liabilities settled	(1,740)	(3,326)	(4,117)	(5,925)
Accretion expense	2,255	2,333	4,444	4,605
Revisions down	(3,719)	(4,306)	(7,357)	(3,974)
Balance at end of period	**$162,168**	$168,475	**$162,168**	$168,475

Downward revisions to our asset retirement obligations during 2010 relate primarily to changes in the estimated settlement dates at select sites.

Note 13 Standby Letters of Credit

We provide certain third parties with irrevocable standby letters of credit in the normal course of business. We use commercial banks to issue standby letters of credit to back our obligations to pay or perform when required to do so pursuant to the requirements of an underlying agreement. The standby letters of credit listed below are cancelable only at the option of the beneficiaries who are authorized to draw drafts on the issuing bank up to the face amount of the standby letter of credit in accordance with its terms. Since banks consider letters of credit as contingent extensions of credit, we are required to pay a fee until they expire or are canceled. Substantially all of our standby letters of credit have a one-year term and are renewable annually at the option of the beneficiary.

Our standby letters of credit as of June 30, 2010 are summarized in the table below (in thousands of dollars):

	June 30 2010
Standby letters of credit	
Risk management requirement for insurance claims	**$40,411**
Payment surety required by utilities	**133**
Contractual reclamation/restoration requirements	**11,803**
Financial requirement for industrial revenue bond	**14,230**
Total	**$66,577**

Of the total $66,577,000 outstanding letters of credit, $63,386,000 is backed by our $1,500,000,000 bank credit facility which expires November 16, 2012.

Note 14 Acquisitions and Divestitures

During the first quarter of 2010, we sold three aggregates facilities located in rural Virginia for cash proceeds of approximately $42,750,000.

Assets held for sale and liabilities of assets held for sale as presented in the accompanying Condensed Consolidated Balance Sheets as of June 30, 2010 and December 31, 2009, relate to an aggregates production facility and ready-mixed concrete operation located outside the United States. We expect the transaction to close within the 12-month period ending June 30, 2011. There were no pending divestitures as of June 30, 2009. The major classes of assets and liabilities of assets classified as held for sale are as follows (in thousands of dollars):

	June 30 2010	December 31 2009
Current assets	$3,695	$3,799
Property, plant & equipment, net	11,016	11,117
Intangible assets	93	96
Other assets	60	60
Total assets held for sale	$14,864	$15,072
Current liabilities	$409	$369
Total liabilities of assets held for sale	$409	$369

During the six months ended June 30, 2009, we acquired the following assets for approximately $38,955,000 (total note and cash consideration), net of acquired cash:

leasehold interest in a rail yard
two aggregates production facilities

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Note 15 Goodwill

Changes in the carrying amount of goodwill by reportable segment from December 31, 2009 to June 30, 2010 are summarized below (in thousands of dollars):

Goodwill

	Aggregates	**Concrete**	**Asphalt mix**	**Cement**	**Total**
Gross carrying amount					
Total as of December 31, 2009	$3,002,346	$0	$91,633	$252,664	$3,346,643
Purchase price allocation adjustment	0	0	0	0	0
Total as of June 30, 2010	**$3,002,346**	**$0**	**$91,633**	**$252,664**	**$3,346,643**
Accumulated impairment losses					
Total as of December 31, 2009	$0	$0	$0	($252,664)	($252,664)
Goodwill impairment loss	0	0	0	0	0
Total as of June 30, 2010	**$0**	**$0**	**$0**	**($252,664)**	**($252,664)**
Goodwill, net of accumulated impairment losses					
Total as of December 31, 2009	$3,002,346	$0	$91,633	$0	$3,093,979
Total as of June 30, 2010	**$3,002,346**	**$0**	**$91,633**	**$0**	**$3,093,979**

Note 16 New Accounting Standards

Recently Adopted

Enhanced disclosures for fair value measurements As of and for the interim period ended March 31, 2010, we adopted Accounting Standards Update (ASU) No. 2010-6, Improving Disclosures about Fair Value Measurements (ASU 2010-6) as it relates to disclosures about transfers into and out of Level 1 and 2. Our adoption of this standard had no impact on our financial position, results of operations or liquidity. We will adopt ASU 2010-6 as it relates to separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements as of and for the interim period ended March 31, 2011.

Note 17 Segment Reporting - Continuing Operations

We have four operating segments organized around our principal product lines: aggregates, asphalt mix, concrete and cement. For reporting purposes, we historically combined our Asphalt mix and Concrete operating segments into one reporting segment as the products are similar in nature and the businesses exhibited similar economic characteristics, production processes, types and classes of customer, methods of distribution and regulatory environments. We routinely received inquiries from our investors specific to these individual operating segments. In an effort to provide more meaningful information to the public, these two segments are now reported separately. We have recast our 2009 data to reflect this change in reportable segments to conform to the current period s presentation.

The majority of our activities are domestic. We sell a relatively small amount of aggregates outside the United States. Transactions between our reportable segments are recorded at prices approximating market levels. Management reviews earnings from the product line reporting units principally at the gross profit level.

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Segment Financial Disclosure	**Three Months Ended June 30**		**Six Months Ended June 30**	
	2010	2009	**2010**	2009
Amounts in millions				
TOTAL REVENUES				
Aggregates				
Segment revenues	**$513.9**	$497.6	**$855.2**	$899.4
Intersegment sales	**(42.4)**	(42.9)	**(74.5)**	(80.0)
Net sales	**471.5**	454.7	**780.7**	819.4
Concrete				
Segment revenues	**105.0**	114.6	**188.0**	229.4
Intersegment sales	**0.0**	0.0	**0.0**	(0.1)
Net sales	**105.0**	114.6	**188.0**	229.3
Asphalt mix				
Segment revenues	**103.5**	103.7	**166.5**	182.1
Intersegment sales	**0.0**	0.0	**0.0**	0.0
Net sales	**103.5**	103.7	**166.5**	182.1
Cement				
Segment revenues	**22.9**	16.9	**40.8**	36.6
Intersegment sales	**(10.1)**	(8.5)	**(18.7)**	(18.1)
Net sales	**12.8**	8.4	**22.1**	18.5
Total				
Net sales	**692.8**	681.4	**1,157.3**	1,249.3
Delivery revenues	**43.4**	40.5	**72.1**	72.9
Total revenues	**$736.2**	$721.9	**$1,229.4**	$1,322.2
GROSS PROFIT				
Aggregates	**$122.0**	$126.8	**$137.4**	$190.4
Concrete	**(5.6)**	(2.2)	**(21.7)**	(3.1)
Asphalt mix	**7.3**	21.7	**8.3**	37.9
Cement	**(1.4)**	(0.5)	**(0.8)**	(1.8)
Total gross profit	**$122.3**	$145.8	**$123.2**	$223.4

Depreciation, Depletion, Accretion and Amortization				
Aggregates	**$74.9**	$78.3	**$148.1**	$157.1
Concrete	**13.4**	13.3	**26.4**	26.2
Asphalt mix	**2.3**	2.2	**4.5**	4.2
Cement	**5.2**	4.8	**9.6**	9.4
Corporate and other unallocated	**1.5**	1.0	**2.9**	2.0
Total depreciation, depletion, accretion and amortization	**$97.3**	$99.6	**$191.5**	$198.9

Note 18 Supplemental Cash Flow Information
Supplemental information referable to our Condensed Consolidated Statements of Cash Flows is summarized below (in thousands of dollars):

	Six Months Ended June 30	
	2010	2009
Cash payments (refunds)		
Interest (exclusive of amount capitalized)	**$90,942**	$98,871
Income taxes	**1,130**	(9,468)
Noncash investing and financing activities		
Accrued liabilities for purchases of property, plant & equipment	**5,165**	14,684
Debt issued for purchases of property, plant & equipment	**0**	1,982
Stock issued for pension contribution (Note 9)	**53,864**	0
Proceeds receivable from issuance of common stock	**1,453**	0

Note 19 Other Commitments and Contingencies
We are a defendant in various lawsuits in the ordinary course of business. It is not possible to determine with precision the outcome, or the amount of liability, if any, under these lawsuits, especially where the cases involve possible jury trials with as yet undetermined jury panels.
In addition to these lawsuits in which we are involved in the ordinary course of business, certain other legal proceedings are more specifically described below.
Florida Antitrust Litigation Our subsidiary, Florida Rock Industries, Inc., has been named as a defendant in a number of class action lawsuits filed in the United States District Court for the Southern District of Florida. The lawsuits were filed by several ready-mixed concrete producers and construction companies against a number of concrete and cement producers and importers in Florida. There are now two consolidated amended complaints: (1) on behalf of direct independent ready-mixed concrete producers, and (2) on behalf of indirect users of ready-mixed concrete. The other defendants include Cemex Corp., Lehigh Cement Company, Oldcastle Materials, Suwannee American Cement LLC, Titan America LLC, and Votorantim Cimentos North America, Inc. The complaints allege various violations under the federal antitrust laws, including price fixing and market allocations. We have no reason to believe that Florida Rock is liable for any of the matters alleged in the complaint, and we intend to defend the case vigorously.
IDOT/Joliet Road In September 2001, we were named a defendant in a suit brought by the Illinois Department of Transportation (IDOT), in the Circuit Court of Cook County, Chancery Division, Illinois, alleging damage to a 0.9-mile section of Joliet Road that bisects our McCook quarry in McCook, Illinois, a Chicago suburb. On May 18, 2010, we settled this lawsuit for $40 million and recognized the full settlement as a charge to operations in the second quarter of 2010. Under the terms of the settlement we paid IDOT $20 million in May 2010 and will pay the final $20 million no later than 9 months from the date of settlement. During that time we will take appropriate actions, including one or more arbitrations, to recover the settlement amount, in excess of the self-insured retention of $2 million, as well as a portion of our defense costs from our insurers. While we believe this settlement is covered by insurance policies, the ultimate amount and timing of such recoveries, which will be recorded as income when realized, cannot be predicted with certainty.
Lower Passaic River Clean-Up We have been sued as a third-party defendant in New Jersey Department of Environmental Protection, et al. v. Occidental Chemical Corporation, et al., a case brought by the New Jersey Department of Environmental Protection in the New Jersey Superior Court. The third-party complaint was filed on February 4, 2009. This suit by the New Jersey Department of Environmental Protection seeks recovery of past and future clean-up costs as well as unspecified economic damages,

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punitive damages, penalties and a variety of other forms of relief arising from alleged discharges into the Passaic River of dioxin and other unspecified hazardous substances. Our former Chemicals Division operated a plant adjacent to the Passaic River and has been sued as a third-party defendant, along with approximately 300 other parties. Additionally, Vulcan and approximately 70 other companies are parties to a May 2007 Administrative Order of Consent with the U.S. Environmental Protection Agency to perform a Remedial Investigation/Feasibility Study of the contamination in the lower 17 miles of the Passaic River. This study is ongoing. At this time, we cannot determine the likelihood or reasonably estimate a range of loss pertaining to this matter.

Perchloroethylene cases

We are a defendant in several cases involving perchloroethylene (perc), which was a product manufactured by our former Chemicals business. Perc is a cleaning solvent used in dry cleaning and other industrial applications. These cases involve various allegations of groundwater contamination, or exposure to perc allegedly resulting in personal injury. Vulcan is vigorously defending all of these cases. At this time, we cannot determine the likelihood or reasonably estimate a range of loss pertaining to any of these matters, which are listed below:

California Water Service Company On June 6, 2008, we were served in an action styled California Water Service Company v. Dow, et al, now pending in the San Mateo County Superior Court, California. According to the complaint, California Water Service Company owns and/or operates public drinking water systems, and supplies drinking water to hundreds of thousands of residents and businesses throughout California. The complaint alleges that water systems in a number of communities have been contaminated with perc. The plaintiff is seeking compensatory damages and punitive damages. Discovery is ongoing.

City of Sunnyvale California On January 6, 2009, we were served in an action styled City of Sunnyvale v. Legacy Vulcan Corporation, f/k/a Vulcan Materials Company, filed in the San Mateo County Superior Court, California. The plaintiffs are seeking cost recovery and other damages for alleged environmental contamination from perc and its breakdown products at the Sunnyvale Town Center Redevelopment Project. Discovery is ongoing.

Suffolk County Water Authority On May 4, 2010, we were served in an action styled Suffolk County Water Authority v. The Dow Chemical Company, et al., in the United States District Court for the Eastern District of New York. The complaint alleges that the plaintiff owns and/or operates drinking water systems and supplies drinking water to thousands of residents and businesses, in Suffolk County, New York. The complaint alleges that perc and its degradation products have been and are contaminating and damaging Plaintiff s drinking water supply wells. The plaintiff is seeking compensatory and punitive damages. This case has recently been dismissed but we anticipate it will be refiled in state court.

Team Enterprises On June 5, 2008, we were named as a defendant in the matter of Team Enterprises, Inc. v. Century Centers, Ltd., et al., filed in Modesto, Stanislaus County, California but removed to the United States District Court for the Eastern District of California (Fresno Division). This is an action filed by Team Enterprises as the former operator of a dry cleaner located in Modesto, California. The plaintiff is seeking damages from the defendants associated with the remediation of perc from the site of the dry cleaner. Discovery is ongoing.

United States Virgin Islands There are currently two cases pending here.

Government of the United States; Department of Planning and Natural Resources; and Commissioner Robert Mathes, in his capacity as Trustee for the Natural Resources of the Territory of The United States Virgin Islands v. Vulcan Materials Company, et al. Plaintiff brought this action based on parens patriae doctrine for injury to quasi-sovereign interest on the island of St. Thomas (injuries to groundwater resources held in public trust). It is alleged that the island s sole source of drinking water (the Tutu aquifer) is contaminated with perc. The primary source of perc contamination allegedly emanated from the former Laga facility (a textile manufacturing site). The perc defendants are alleged to have failed to adequately

warn perc users of the dangers posed by the use and disposal of perc. It is also alleged that perc from O Henry Dry Cleaners has contributed to the perc contamination in the Tutu aquifer. This case was dismissed, but we anticipate it will be refiled in territorial court.

L Henry, Inc., d/b/a O Henry Cleaners and Cyril V. Francois, LLC v. Vulcan and Dow. Plaintiffs are the owners of a dry cleaning business on St. Thomas. It is alleged that perc from the dry cleaner contributed to the contamination of the Tutu Wells aquifer, and that Vulcan as a perc manufacturer failed to properly warn the dry cleaner of the proper disposal method for perc, resulting in unspecified damages to the dry cleaner. A trial date of December 1, 2010, has been set for this matter.

Addair This is a purported class action case for medical monitoring and personal injury damages styled Addair et al. v. Processing Company, LLC, et al., pending in the Circuit Court of Wyoming County, West Virginia. The plaintiffs allege various personal injuries from exposure to perc used in coal sink labs. Discovery is now complete. The class certification hearing scheduled for August 2010 has been stayed.

Santarsiero This is a case styled Robert Santarsiero v. R.V. Davies, et al., pending in Supreme Court, New York County, New York. The plaintiff alleges personal injury (kidney cancer) from exposure to perc. We were brought in as a third-party defendant by original defendant R.V. Davies. Discovery is ongoing.

R.R. Street Indemnity Street, a former distributor of perc manufactured by us, alleges that we owe Street, and its insurer (National Union), a defense and indemnity in several of these litigation matters, as well as some prior litigation which we have now settled. National Union alleges that we are obligated to contribute to National Union s share of defense fees, costs and any indemnity payments made on Street s behalf. We are having ongoing discussions with Street about the nature and extent of indemnity obligations, if any, and to date there has been no resolution of these issues.

It is not possible to predict with certainty the ultimate outcome of these and other legal proceedings in which we are involved and a number of factors, including developments in ongoing discovery or adverse rulings, could cause actual losses to differ materially from accrued costs. We believe the amounts accrued in our financial statements as of June 30, 2010 are sufficient to address claims and litigation for which a loss was determined to be probable and reasonably estimable. No liability was recorded for claims and litigation for which a loss was determined to be only reasonably possible or for which a loss could not be reasonably estimated. In addition, losses on certain claims and litigation described above may be subject to limitations on a per occurrence basis by excess insurance, as described in our most recent Annual Report on Form 10-K.

Note 20 Subsequent Event

On July 7, 2010, we closed on a $450,000,000 5-year syndicated term loan which bears interest at a floating rate. The interest rate reflects 1, 2, 3 or 6-month LIBOR plus a credit spread governed by our Standard & Poor s and Moody s long-term credit ratings. Our current ratings are BBB and Baa2, respectively, and the applicable credit spread is 2.0%. The loan requires quarterly principal payments of $10,000,000 starting in June 2013 and a final principal payment of $360,000,000 in July 2015. The term loan agreement provides up to $150,000,000 in additional loans at our request, subject to each lender s acceptance to increase its commitment.

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Item 2 Management s Discussion and Analysis of Financial Condition And Results of Operations

GENERAL COMMENTS

Overview

Vulcan provides the basic materials for the infrastructure needed to drive the U.S. economy. We are the nation s largest producer of construction aggregates, primarily crushed stone, sand and gravel. We are also a major producer of asphalt mix and ready-mixed concrete and a leading producer of cement in Florida.

Demand for our products is dependent on construction activity. The primary end uses include public construction, such as highways, bridges, airports, schools and prisons, as well as private nonresidential (e.g., manufacturing, retail, offices, industrial and institutional) and private residential construction (e.g., single-family houses, duplexes, apartment buildings and condominiums). Customers for our products include heavy construction and paving contractors; commercial building contractors; concrete products manufacturers; residential building contractors; state, county and municipal governments; railroads and electric utilities.

We operate primarily in the United States and our principal product aggregates is used in all types of public and private construction projects and in the production of asphalt mix and ready-mixed concrete. Aggregates have a high weight-to-value ratio and, in most cases, must be produced near where they are used or transportation can cost more than the materials. Exceptions to this typical market structure include areas along the U.S. Gulf Coast and the eastern seaboard where there are limited supplies of locally available aggregates. We serve these markets from inland quarries shipping by barge and rail and from our quarry on Mexico s Yucatan Peninsula. We transport aggregates from Mexico to the U.S. principally on our Panamax-class, self-unloading ships.

There are practically no substitutes for quality aggregates. Because of barriers to entry created by zoning and permitting regulation and because of high transportation costs, the location of reserves is a critical factor to long-term success.

While aggregates is our primary business, we believe vertical integration between aggregates and downstream products, such as asphalt mix and concrete, can be managed effectively in certain markets to generate acceptable financial returns. We produce and sell asphalt mix and ready-mixed concrete primarily in our mid-Atlantic, Florida, southwestern and western markets. Aggregates comprise approximately 95% of asphalt mix by weight and 78% of ready-mixed concrete by weight.

Seasonality and cyclical nature of our business

Almost all our products are produced and consumed outdoors. Our financial results for any quarter do not necessarily indicate the results expected for the year because seasonal changes and other weather-related conditions can affect the production and sales volumes of our products. Normally, the highest sales and earnings are in the third quarter and the lowest are in the first quarter. Our sales and earnings are sensitive to national, regional and local economic conditions and particularly to cyclical swings in construction spending, particularly in the private sector. The levels of construction spending are affected by changing interest rates, and demographic and population fluctuations.

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EXECUTIVE SUMMARY

Financial highlights for Second Quarter 2010

- Unit shipments in each major product line increased from the prior year
- Aggregates shipments increased 6% with broad geographic improvement, increasing pretax earnings $14.9 million, or $0.08 per diluted share
- Average price for aggregates decreased 2% with wide variations across markets, reducing pretax earnings $10.3 million, or $0.05 per diluted share
- Unit cost for diesel fuel increased 38%, reducing pretax earnings $8.1 million, or $0.04 per diluted share
- Unit cost for liquid asphalt increased 26%, reducing pretax earnings $9.0 million, or $0.04 per diluted share
- Previously announced settlement and legal fees associated with a lawsuit in Illinois reduced operating earnings $41.5 million, or $0.21 per diluted share
- Charges associated with severe flooding in the Nashville, Tennessee area reduced aggregates segment earnings $2.8 million, or $0.02 per diluted share
- Earnings from continuing operations were a loss of $22.5 million, or $0.18 per diluted share
- EBITDA was $97.3 million

Our second quarter volume growth is encouraging as we look ahead to the second half of 2010 and continuing recovery in demand. The upward trend in aggregates shipments that started in March and continued throughout the second quarter led to the first year-over-year quarterly increase in shipments in four years. Improvement in the overall economy as well as higher levels of contract awards for highway construction and single-family housing starts provided the catalyst for growth in demand for our products in the second quarter.

The earnings effect of higher volumes was more than offset by higher unit costs for liquid asphalt and diesel fuel, lower product pricing, charges for settlement of the lawsuit in Illinois and the flooding in Nashville. The Nashville flooding resulted from record rainfall more than 12 inches over a three day period in early May, most of which occurred in the first 12 hour period. Of the $2.8 million of charges associated with the flooding, we anticipate recovering $1.8 million, which will be recorded as income when realized, from our insurance carriers.

The flow of contract awards for highway construction, a leading indicator of future construction activity, has been improving since March of 2009 when stimulus-related funds became available to each state. During the first six months of 2010, total contract awards for highway construction in Vulcan-served states, including awards for federal, state and local projects, increased 11% from the prior year. Through June 2010, the Federal Highway Administration reported that only 38% of the $26 billion of total stimulus funds obligated for highways had been spent which bodes well for increased construction activity from federal stimulus spending for the remainder of 2010 and 2011.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Free cash flow and EBITDA are not defined by Generally Accepted Accounting Principles (GAAP); thus, they should not be considered as alternatives to net cash provided by operating activities or any other liquidity or earnings measure defined by GAAP. These metrics are presented for the convenience of investment professionals that use such metrics in their analysis and to provide our shareholders with an understanding of the metrics we use to assess performance and to monitor our cash and liquidity positions. These metrics are often used by the investment community as indicators of a company s ability to incur and service debt. We internally use free cash flow, EBITDA and other such measures to assess the operating performance of our various business units and the consolidated company. We do not use these metrics as a measure to allocate resources internally. Reconciliations of these metrics to their nearest GAAP measures are presented below:

Free cash flow deducts purchases of property, plant & equipment from net cash provided by operating activities.

	Three Months Ended June 30		Six Months Ended June 30	
in millions	**2010**	2009	**2010**	2009
Net cash provided by operating activities	**$12.3**	$64.3	**$18.7**	$169.4
Purchases of property, plant & equipment	**(22.5)**	(34.5)	**(42.2)**	(60.1)
Free cash flow	**($10.2)**	$29.8	**($23.5)**	$109.3

EBITDA is an acronym for Earnings Before Interest, Taxes, Depreciation and Amortization.

	Three Months Ended June 30		Six Months Ended June 30	
in millions	**2010**	2009	**2010**	2009
Net cash provided by operating activities	**$12.3**	$64.3	**$18.7**	$169.4
Changes in operating assets and liabilities before initial effects of business acquisitions and dispositions	**43.9**	72.2	**(2.6)**	35.9
Other net operating items (providing) using cash	**17.1**	(14.6)	**112.7**	(17.0)
(Earnings) loss on discontinued operations, net of tax	**1.5**	(6.7)	**(4.3)**	(6.1)
Provision (benefit) for income taxes	**(21.2)**	9.6	**(55.4)**	(3.6)
Interest expense, net	**43.7**	43.4	**87.0**	86.5
EBITDA	**$97.3**	$168.2	**$156.1**	$265.1

	Three Months Ended June 30		Six Months Ended June 30	
in millions	**2010**	2009	**2010**	2009
Net earnings (loss)	**($24.0)**	$22.2	**($62.7)**	($10.6)
Provision (benefit) for income taxes	**(21.2)**	9.6	**(55.4)**	(3.6)
Interest expense, net	**43.7**	43.4	**87.0**	86.5
(Earnings) loss on discontinued operations, net of tax	**1.5**	(6.7)	**(4.3)**	(6.1)
Depreciation, depletion, accretion and amortization	**97.3**	99.7	**191.5**	198.9
EBITDA	**$97.3**	$168.2	**$156.1**	$265.1

RESULTS OF OPERATIONS

In the following discussions, we include intersegment sales in our comparative analysis of segment revenue at the product line level. Net sales and cost of goods sold exclude intersegment sales and delivery revenues and costs. This presentation is consistent with the basis on which we review results of operations. We discuss separately our discontinued operations, which consist of our former Chemicals segment.

CONSOLIDATED OPERATING RESULTS

	Three Months Ended June 30		**Six Months Ended June 30**	
	2010	2009	**2010**	2009
Amounts and shares in millions, except per share data				
Net sales	**$692.8**	$681.4	**$1,157.3**	$1,249.3
Cost of goods sold	**570.5**	535.6	**1,034.1**	1,025.9
Gross profit	**$122.3**	$145.8	**$123.2**	$223.4
Operating earnings (loss)	**$1.2**	$65.7	**($35.6)**	$64.4
Earnings (loss) from continuing operations before income taxes	**($43.7)**	$25.2	**($122.4)**	($20.3)
Earnings (loss) from continuing operations	**($22.5)**	$15.6	**($67.0)**	($16.7)
Earnings (loss) on discontinued operations, net of income taxes	**(1.5)**	6.6	**4.3**	6.1
Net earnings (loss)	**($24.0)**	$22.2	**($62.7)**	($10.6)
Basic earnings (loss) per share				
Continuing operations	**($0.18)**	$0.14	**($0.53)**	($0.15)
Discontinued operations	**(0.01)**	0.06	**0.04**	0.06
Net earnings (loss) per share	**($0.19)**	$0.20	**($0.49)**	($0.09)
Diluted earnings (loss) per share				
Continuing operations	**($0.18)**	$0.14	**($0.53)**	($0.15)
Discontinued operations	**(0.01)**	0.06	**0.04**	0.06
Net earnings (loss) per share	**($0.19)**	$0.20	**($0.49)**	($0.09)

Second Quarter 2010 Compared with Second Quarter 2009

Second quarter net sales were $692.8 million, a 2% increase compared to the second quarter of 2009. Second quarter shipments in each major product line increased from the prior year.

Results for the second quarter were a net loss of $24.0 million or ($0.19) per diluted share compared to net earnings of $22.2 million or $0.20 per diluted share in the second quarter of 2009. As previously stated, included in the current quarter s results are a pretax charge of $41.5 million, or ($0.21) per diluted share, related to the settlement and associated legal fees of a lawsuit in Illinois (IDOT/Joliet Road as noted in Note 19 to the condensed consolidated financial statements) and $2.8 million, or $0.02 per diluted share, of charges associated with the flooding in Nashville. Additional items adversely affecting the current quarter s results include a 26% increase in the unit cost for liquid asphalt (reduced earnings $0.04 per diluted share) and a 38% increase in the unit cost for diesel fuel (reduced earnings $0.04 per diluted share).

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Continuing Operations Loss from continuing operations before income taxes for the second quarter of 2010 versus the second quarter of 2009 earnings is bridged below (in millions of dollars):

Second quarter 2009	$25.2
Lower aggregates earnings due to	
Higher volumes	14.9
Lower selling prices	(10.3)
Higher costs	(9.4)
Lower concrete earnings	(3.4)
Lower asphalt mix earnings	(14.5)
Lower cement earnings	(0.9)
Higher selling, administrative and general expenses[1]	(2.5)
Higher gain on sale of property, plant & equipment and businesses	0.7
IDOT settlement, including related legal fees	(41.5)
All other	(2.0)
Second quarter 2010	**($43.7)**

[1] Excludes $1.5 million of legal expenses charged to selling, administrative and general expenses noted within the IDOT settlement line.

Gross profit for the Aggregates segment was $122.0 million in the second quarter of 2010 compared to $126.8 million in the second quarter of 2009. Aggregates shipments increased 6% from the prior year s second quarter. Many Vulcan-served markets realized solid increases in shipments and earnings versus the prior year s second quarter due primarily to stronger demand from public highway projects and improvement in single-family housing starts. The earnings effect from higher aggregates shipments was more than offset by the effects of a 2% decrease in aggregates prices, a 38% increase in the unit cost for diesel fuel and $2.8 million of charges associated with flooding in the Nashville, Tennessee area in May 2010.

Aggregates pricing continues to reflect wide variations across Vulcan-served markets. Markets in Florida, and to a lesser extent the Far West, have remained challenging due to increased competitive pressures. Additionally, a number of long-haul markets served by rail, barge and ship reported lower freight-adjusted prices. Higher energy costs related to these modes of long-haul transportation were not recovered in second quarter selling prices to customers. The average second quarter selling price for aggregates in all other markets not mentioned above approximated prior year levels. Aggregates gross profit in these markets increased as expected based on the increased levels of shipments.

The $7.3 million gross profit for the Asphalt mix segment was $14.5 million lower than the prior year due primarily to a 26% increase in the unit cost for liquid asphalt and lower selling prices. Selling prices for asphalt mix generally lag increasing liquid asphalt costs and were further held in check due to competitive pressures. Asphalt mix volumes increased 2% from the prior year s second quarter.

Concrete segment gross profit of ($5.6) million declined $3.4 million from the prior year s second quarter due to lower selling prices. The earnings effect from slightly higher shipments of ready-mixed concrete was more than offset by an 11% decrease in the average sales price.

Cement segment gross profit of ($1.4) million declined $0.9 million from the prior year s second quarter as lower average unit selling prices offset higher sales volumes.

In May 2010, we reached final settlement in a lawsuit filed in 2001 against us by the Illinois Department of Transportation (IDOT). As a result, a $40.0 million charge was recorded in the second quarter. We believe that the settlement is covered by insurance policies and are taking appropriate actions, including one or more arbitrations, to recover the amount paid in settlement above a self-insured retention of $2 million, as well as a portion of our defense

costs, from our insurers. The ultimate amount and timing of such recoveries, which will be recorded as income when realized, cannot be predicted with certainty.

Selling, Administrative and General (SAG) expense in the second quarter was $83.4 million versus $79.4 million in the prior year s second quarter. Included in the current year s second quarter was $1.5 million of legal expenses related to the IDOT lawsuit in Illinois.

In the second quarter of 2010, we recognized a tax benefit from continuing operations of $21.2 million compared to a tax provision of $9.6 million in the second quarter of 2009. The increase in our income tax benefit, after recording the effect of the pretax loss at the statutory rate, resulted largely from applying the alternative income tax calculation in 2010 as discussed in Note 4 to the condensed consolidated financial statements.

Results from continuing operations were a loss of ($0.18) per diluted share compared to earnings of $0.14 per diluted share in the second quarter of 2009.

Discontinued Operations Second quarter pretax earnings (loss) on discontinued operations were ($1.8) million in 2010 and $11.1 million in 2009. The 2009 pretax earnings include a $12.2 million gain, after deducting legal fees and other expenses, related to a settlement with one of our insurers in the Modesto case (lawsuit settled in October 2007 involving the perchloroethylene product). Excluding the 2009 gain, the 2010 and 2009 second quarter pretax earnings (loss) primarily reflect charges related to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business.

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Year-to-Date June 30, 2010 Compared with Year-to-Date June 30, 2009

First half 2010 net sales were $1,157.3 million, a decrease of 7% compared to $1,249.3 million in the first half of 2009. Aggregates shipments declined 3%, reducing earnings $0.11 per diluted share and lower aggregates pricing further reduced earnings $0.06 per diluted share.

First half results were a net loss of ($62.7) million or ($0.49) per diluted share compared to a net loss of ($10.6) million, or ($0.09) per diluted share, for the first half of 2009. Current year first half results include a pretax charge of $41.5 million, or ($0.21) per diluted share, referable to settlement and associated legal fees of a lawsuit in Illinois (IDOT/Joliet Road as noted in Note 19 to the condensed consolidated financial statements), charges of $2.8 million, or $0.02 per diluted share, associated with the second quarter flooding in the Nashville, Tennessee area, a pretax gain of $39.5 million, or $0.18 per diluted share, referable to the first quarter sale of three non-strategic aggregates facilities located in rural Virginia and net losses per diluted share of ($0.07) and ($0.07) referable to higher costs for liquid asphalt and diesel fuel, respectively.

Continuing Operations Loss from continuing operations before income taxes for year-to-date June 30, 2010 versus year-to-date June 30, 2009 is bridged below (in millions of dollars):

Year-to-date June 30, 2009	($20.3)
Lower aggregates earnings due to	
Lower volumes	(14.6)
Lower selling prices	(7.7)
Higher costs	(30.7)
Lower concrete earnings	(18.6)
Lower asphalt mix earnings	(29.6)
Higher cement earnings	1.0
Higher selling, administrative and general expenses[1]	(9.3)
Higher gain on sale of property, plant & equipment and businesses	46.6
IDOT settlement, including related legal fees	(41.5)
All other	2.3
Year-to-date June 30, 2010	**($122.4)**

[1] Excludes $1.5 million of legal expenses charged to selling, administrative and general expenses noted within the IDOT settlement line.

Gross profit for the Aggregates segment was $137.4 million year-to-date June 30, 2010 compared to $190.4 million year-to-date June 30, 2009. This $53.0 million decline was due primarily to reduced shipments in the first quarter, a 43% increase in the unit cost for diesel fuel and charges of $2.8 million associated with the aforementioned flooding in the Nashville, Tennessee area.

Concrete segment gross profit was a loss of ($21.7) million for the first half of 2010 compared to a loss of ($3.1) million for 2009. Shipments of ready-mixed concrete declined 8% and overall pricing declined 12%.

Asphalt mix segment gross profit of $8.3 million fell $29.6 million or 78% from the first half 2009 level of $37.9 million. This shortfall resulted from higher liquid asphalt costs of $14.1 million, a 3% decline in volume and a 7% decline in pricing.

Cement segment gross profit was a loss of ($0.8) million, up $1.0 million from the year-to-date June 30, 2009 loss of $1.8 million.

SAG expense increased $10.8 million, or 7%, from the prior year s first half. The year-over-year increase is due to a $9.2 million noncash charge for the fair market value of donated real estate and $1.5 million of legal expenses related to the IDOT lawsuit in Illinois.

Gain on sale of property, plant & equipment and businesses was $49.7 million in the first half of 2010, an increase of $46.6 million from the prior year. The difference between the fair value of the above

mentioned donated real estate and the carrying value, which was $8.4 million, was recorded as a gain on sale of property, plant & equipment. Additionally, during the first quarter we sold three non-strategic aggregates facilities in rural Virginia for a pretax gain of $39.5 million, or $0.18 per diluted share.

In the first half of 2010 and 2009, we recognized tax benefits from continuing operations of $55.4 million and $3.6 million, respectively. The 2010 increase in our income tax benefit, after recording the effect of the pretax loss at the statutory rate, resulted largely from applying the alternative income tax calculation in 2010 as discussed in Note 4 to the condensed consolidated financial statements.

Results from continuing operations were a loss of ($0.53) per diluted share compared to a loss of ($0.15) per diluted share in the first six months of 2009.

Discontinued Operations Year-to-date June pretax earnings on discontinued operations were $7.1 million in 2010 and $10.2 million in 2009. The 2010 pretax earnings include an $8.8 million gain related to the 5-CP earn-out compared to $0.7 million in 2009, and $1.6 million of gains related to litigation settlements. The 2009 pretax earnings include a $12.2 million gain, after deducting legal fees and other expenses, related to a settlement with one of our insurers in the Modesto case (lawsuit settled in October 2007 involving the perchloroethylene product). Excluding these gains, the 2010 and 2009 year-to-date June pretax earnings primarily reflect charges related to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business.

CASH AND LIQUIDITY

Our primary source of liquidity is cash provided by our operating activities. Our additional financial resources include unused bank lines of credit and access to the capital markets. We believe these financial resources are sufficient to fund business requirements in the future, including debt service obligations, cash contractual obligations, capital expenditures, dividend payments and potential future acquisitions.

We operate a centralized cash management system using zero-balance disbursement accounts; therefore, our operating cash balance requirements are minimal. When cash on hand is not sufficient to fund daily working capital requirements, we issue commercial paper or draw down on our bank lines of credit. Following Standard & Poor s downgrade of our short-term credit rating in April 2010 (as described below), the cost of commercial paper increased approximately 30 basis points (0.30%). The weighted-average interest rate, including commissions paid to commercial paper broker dealers, was 0.50% during the six months ended June 30, 2010 and 0.70% at June 30, 2010.

Current maturities and short-term borrowings

As of June 30, 2010, current maturities of long-term debt are $425.3 million, of which $425.0 million are due as follows (in millions of dollars):

	June 30 2010
Current maturities due	
Third quarter 2010	$0.0
Fourth quarter 2010	325.0
First quarter 2011	0.0
Second quarter 2011	100.0

There are various maturity dates for the remaining $0.3 million of current maturities. We expect to retire this debt using proceeds from the $450.0 million term loan issued in July 2010 (see Note 20 to the condensed consolidated financial statements) or by issuing commercial paper or drawing on our lines of credit.

Short-term borrowings consisted of the following (in millions of dollars):

	June 30 2010	December 31 2009	June 30 2009
Short-term borrowings			
Bank borrowings	**$0.0**	$0.0	$46.0
Commercial paper	**320.0**	236.5	366.3
Total short-term borrowings	**$320.0**	$236.5	$412.3
Bank borrowings			
Maturity	**n/a**	n/a	1 day
Weighted-average interest rate	**n/a**	n/a	0.62%
Commercial paper			
Maturity	**1 to 2 days**	42 days	1 to 43 days
Weighted-average interest rate	**0.70%**	0.39%	0.72%

Our outstanding bank credit facility, which provides $1.5 billion of liquidity, expires November 16, 2012. Borrowings under this credit facility, which are classified as short-term, bear an interest rate based on London Interbank Offer Rate (LIBOR) plus a credit spread. This credit spread was 30 basis points (0.30%) based on our long-term debt ratings at June 30, 2010. Additionally, as of June 30, 2010 there were no borrowings under the $1.5 billion line of credit; $320.0 million was used to support outstanding commercial paper and $63.4 million was used to back outstanding letters of credit, resulting in available lines of credit of $1,116.6 million. This amount provides a sizable level of borrowing capacity that strengthens our financial flexibility. Not only does it enable us to fund working capital needs, it provides liquidity to fund large expenditures, such as long-term debt maturities, on a temporary basis without being forced to issue long-term debt at times that are disadvantageous. Interest rates referable to borrowings under these credit lines are determined at the time of borrowing based on current market conditions for LIBOR. Our policy is to maintain committed credit facilities at least equal to our outstanding commercial paper.

Short-term debt rating/outlook

Standard & Poor s A-3/negative (rating dated April 7, 2010; lowered rating/outlook from A-2/stable)

Moody s P-2/negative (rating dated November 16, 2007; last confirmed September 28, 2009)

The interest rates we pay on commercial paper are based on market supply and demand for short-term debt securities. The weighted-average interest rate on our commercial paper was 0.70% as of June 30, 2010.

Working capital

Working capital, current assets less current liabilities, is a common measure of liquidity used to assess a company s ability to meet short-term obligations. Our working capital is calculated as follows (in millions of dollars):

	June 30 2010	December 31 2009	June 30 2009
Working capital			
Current assets	**$867.3**	$743.3	$927.1

Current liabilities	**(1,074.1)**	(856.7)	(748.6)
Working capital	**($206.8)**	($113.4)	$178.5

The decrease in our working capital of $93.4 million over the six month period ended June 30, 2010 was due in large part to an increase in current maturities of long-term debt and short-term borrowings of $123.4 million and an increase in trade payables, accruals and other liabilities of $94.0 million. The increase in current liabilities was partially offset by an increase in accounts and notes receivable of $121.3 million. These increases in trade payables, accruals and other liabilities and accounts and notes receivable

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reflect our seasonal increases in production and sales as evidenced by the 25% increase in sales revenue for the three months ended June 30, 2010 compared to the three months ended December 31, 2009. The $385.3 million decrease in our working capital over the twelve month period ended June 30, 2010 resulted primarily from an increase in current maturities of long-term debt and short-term borrowings of $272.6 million.

Cash flows

Operating activities Net cash provided by operating activities is derived primarily from net earnings before deducting noncash charges for depreciation, depletion, accretion and amortization.

	Six Months Ended June 30	
in millions	**2010**	2009
Net (loss)	**($62.7)**	($10.6)
Depreciation, depletion, accretion and amortization	**191.5**	198.9
Net gain on sale property, plant & equipment and businesses	**(58.5)**	(3.9)
Contributions to pension plans	**(21.1)**	(2.2)
Other operating cash flows, net	**(30.5)**	(12.8)
Net cash provided by operating activities	**$18.7**	$169.4

Net earnings before noncash deductions for depreciation, depletion, accretion and amortization were $128.8 million during the first six months of 2010 as compared to $188.3 million during the same period in 2009. Net cash provided by operating activities for the first six months of 2010 was negatively impacted by increased contributions to pension plans of $21.1 million as compared to $2.2 million during the same period in 2009. As discussed in Note 10 to the condensed consolidated financial statements, our pension plan contributions through the second quarter of 2010 should be sufficient to cover expected contributions to the qualified plans through 2012. Additionally, while net gains on sale of property, plant & equipment and businesses of $58.5 million increase net earnings, the associated cash received is adjusted out of operating activities and presented as a component of investing activities.

Investing activities Net cash from investing activities was $8.0 million in the first six months of 2010, an increase of $58.2 million compared to the first six months of 2009. This increase was generated in large part by a $39.4 million increase in proceeds from the sale of businesses. The sale of three non-strategic aggregates facilities located in rural Virginia during the first quarter of 2010 resulted in net proceeds of approximately $42.3 million and a $39.5 million pretax gain. Additionally, a critical evaluation of the strategic nature and timing of all capital projects led to a $54.9 million year-over-year reduction in capital spending, including business acquisitions.

Financing activities Net cash used for financing activities totaled $6.7 million during the first six months of 2010, compared to $85.7 million during the same period in 2009. We reduced our dividend per share beginning in the third quarter of 2009 from $0.49 per quarter to $0.25 per quarter, resulting in $61.1 million of cash savings during the first six months of 2010. During the first six months of 2010, total debt increased by $8.5 million compared to a decrease in total debt of $559.0 million during the same period in 2009. The 2009 debt reduction was funded in large part by proceeds from the issuance of common stock of $578.2 million.

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CAPITAL STRUCTURE AND RESOURCES

In order to maximize shareholder wealth, as well as to attract equity and fixed income investors, we actively manage our capital structure and resources consistent with the policies, guidelines and objectives listed below.

Maintain investment grade ratings

Maintain debt to total capital ratio within what we believe to be a prudent and generally acceptable limit of 35% to 40%

Pay out a reasonable share of net cash provided by operating activities as dividends

We pursue attractive investment opportunities and fund acquisitions using internally generated cash or by issuing debt or equity securities.

Long-term debt

The calculations of our total debt as a percentage of total capital and the weighted-average stated interest rates on our long-term debt are summarized below (amounts in millions, except percentages):

	June 30 2010	December 31 2009	June 30 2009
Debt			
Current maturities of long-term debt	**$425.3**	$385.4	$60.4
Short-term borrowings	**320.0**	236.5	412.3
Long-term debt	**2,001.2**	2,116.1	2,521.2
Total debt	**$2,746.5**	$2,738.0	$2,993.9
Capital			
Total debt	**$2,746.5**	$2,738.0	$2,993.9
Shareholders equity[1]	**4,044.1**	4,052.0	4,034.2
Total capital	**$6,790.6**	$6,790.0	$7,028.1
Total debt as a percentage of total capital	**40.4%**	40.3%	42.6%
Long-term debt - weighted-average interest rate	**8.03%**	7.69%	7.21%

[1] As restated for June 30, 2009, see Note 1 to the condensed consolidated financial statements.

Our debt agreements do not subject us to contractual restrictions with regard to working capital or the amount we may expend for cash dividends and purchases of our stock. The percentage of consolidated debt to total capitalization (total debt as a percentage of total capital), as defined in our bank credit facility agreements, cannot exceed 65%. In the future, our total debt as a percentage of total capital will depend upon specific investment opportunities and financing decisions. We have made acquisitions from time to time and will continue to pursue attractive investment opportunities. Such acquisitions could be funded by using internally generated cash or issuing debt or equity securities.

Long-term debt ratings/outlook

Standard & Poor s BBB/negative (rating dated April 7, 2010; lowered outlook from stable)

Moody s Baa2/negative (rating dated November 13, 2008; last confirmed November 2009)

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Equity

Common stock activity is summarized below (in thousands of shares):

	June 30 2010	December 31 2009	June 30 2009
Common stock shares at beginning of year issued and outstanding	**125,912**	110,270	110,270
Common stock issuances			
Public offering	**0**	13,225	13,225
Acquisitions	**0**	789	789
Pension plan contribution	**1,190**	0	0
401(k) savings and retirement plan	**769**	1,135	561
Share-based compensation plans	**399**	493	144
Common stock shares at end of period issued and outstanding	**128,270**	125,912	124,989

In March 2010, we issued 1.2 million shares of common stock to the trustee of our pension plan as explained in more detail in Notes 9 and 10 to the condensed consolidated financial statements.

During the second quarter of 2009, we completed a public offering of common stock (par value of $1 per share) resulting in the issuance of 13.2 million shares for net proceeds of $520.0 million.

We periodically issue shares of common stock to the trustee of our 401(k) savings and retirement plan to satisfy the plan participants elections to invest in Vulcan s common stock and the resulting cash proceeds provide a means of improving cash flow, increasing shareholders equity and reducing leverage. The cash proceeds from the issuances noted in the table above were as follows: six months ended June 30, 2010 $35.3 million and a receivable of $1.5 million, full year 2009 $52.7 million and six months ended June 30, 2009 $24.3 million.

There were no shares held in treasury as of June 30, 2010, December 31, 2009 and June 30, 2009. The number of shares remaining under the current purchase authorization of the Board of Directors was 3,411,416 as of June 30, 2010.

Cash Contractual Obligations

Our obligation to make future payments under contracts is presented in our most recent Annual Report on Form 10-K.

Standby Letters of Credit

For a discussion of our standby letters of credit see Note 13 to the condensed consolidated financial statements.

Recent Accounting Pronouncements

For a discussion of the recent accounting pronouncements see Note 16 to the condensed consolidated financial statements.

Risks and Uncertainties

Our most recent Annual Report on Form 10-K discusses the risks and uncertainties of our business. We continue to evaluate our exposure to all operating risks on an ongoing basis.

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CRITICAL ACCOUNTING POLICIES

We follow certain significant accounting policies when preparing our consolidated financial statements. A summary of these policies is included in our Annual Report on Form 10-K for the year ended December 31, 2009 (Form 10-K). The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent assets and liabilities at the date of the financial statements. We evaluate these estimates and judgments on an ongoing basis and base our estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Our actual results may differ from these estimates.

We believe that the estimates, assumptions and judgments involved in the accounting policies described in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of our Form 10-K have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. There have been no changes to our critical accounting policies during the six months ended June 30, 2010.

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report, including expectations regarding future performance, contain forward-looking statements that are subject to assumptions, risks and uncertainties that could cause actual results to differ materially from those projected. These assumptions, risks and uncertainties include, but are not limited to:

- general economic and business conditions;
- changes in interest rates;
- the timing and amount of federal, state and local funding for infrastructure;
- changes in the level of spending for private residential and nonresidential construction;
- the highly competitive nature of the construction materials industry;
- the impact of future regulatory or legislative actions;
- the outcome of pending legal proceedings;
- pricing of our products;
- weather and other natural phenomena;
- energy costs;
- costs of hydrocarbon-based raw materials;
- healthcare costs;
- the amount of long-term debt and interest expense we incur;
- volatility in pension plan asset values which may require cash contributions to the pension plans;
- the timing and amount of any future payments to be received under the 5CP earn-out contained in the agreement for the divestiture of our Chemicals business;
- the impact of environmental clean-up costs and other liabilities relating to previously divested businesses;
- our ability to secure and permit aggregates reserves in strategically located areas;
- our ability to manage and successfully integrate acquisitions;
- the impact of the global economic recession on our business and financial condition and access to capital markets;
- the potential impact of future legislation or regulations relating to climate change or greenhouse gas emissions;
- and other assumptions, risks and uncertainties detailed from time to time in our periodic reports.

Forward-looking statements speak only as of the date of this Report. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or

otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our future filings with the Securities and Exchange Commission or in any of our press releases.

INVESTOR ACCESS TO COMPANY FILINGS

We make available on our website, vulcanmaterials.com, copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished under Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as all Forms 3, 4 and 5 filed by our executive officers and directors, as soon as the filings are made publicly available by the Securities and Exchange Commission on its EDGAR database, at sec.gov. In addition to accessing copies of our reports online, you may request a free copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, by writing to:

Jerry F. Perkins Jr.
Secretary
Vulcan Materials Company
1200 Urban Center Drive
Birmingham, Alabama 35242

Item 3 Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain financial market risks arising from transactions that are entered into in the normal course of business. In order to manage or reduce this market risk, we may utilize derivative financial instruments. We do not enter into derivative financial instruments for speculative or trading purposes.

We are exposed to interest rate risk due to our various credit facilities and long-term debt instruments. At times, we use interest rate swap agreements to manage this risk.

In December 2007, we issued $325.0 million of 3-year floating (variable) rate notes that bear interest at 3-month LIBOR plus 1.25% per annum. Concurrently, we entered into an interest rate swap agreement in the stated (notional) amount of $325.0 million. At June 30, 2010, we have accumulated losses in Other Comprehensive Income (OCI) of $5.6 million (included in other current liabilities) equal to the fair value of this swap. A decline in interest rates of 0.75 percentage point would increase the fair market value of our liability by approximately $1.3 million.

At June 30, 2010, the estimated fair market value of our long-term debt instruments including current maturities was $2,665.7 million compared to a book value of $2,426.5 million. The estimated fair value was determined by discounting expected future cash flows based on credit-adjusted interest rates on U.S. Treasury bills, notes or bonds, as appropriate. The fair value estimate is based on information available as of the measurement date. Although we are not aware of any factors that would significantly affect the estimated fair value amount, it has not been comprehensively revalued since the measurement date. The effect of a decline in interest rates of 1 percentage point would increase the fair market value of our liability by approximately $133.4 million.

At June 30, 2010, we had $100.0 million outstanding under our 3-year syndicated term loan established in June 2008. These borrowings bear interest at variable rates, principally LIBOR plus a spread based on our long-term credit rating. An increase in LIBOR or a downgrade in our long-term credit rating would increase our borrowing costs for amounts outstanding under these arrangements.

We are exposed to certain economic risks related to the costs of our pension and other postretirement benefit plans. These economic risks include changes in the discount rate for high-quality bonds, the expected return on plan assets, the rate of compensation increase for salaried employees and the rate of

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increase in the per capita cost of covered healthcare benefits. The impact of a change in these assumptions on our annual pension and other postretirement benefits costs is discussed in our most recent Annual Report on Form 10-K.

Item 4 Controls and Procedures

We maintain a system of controls and procedures designed to ensure that information required to be disclosed in reports we file with the Securities and Exchange Commission (SEC) is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms. These disclosure controls and procedures (as defined in the Securities and Exchange Act of 1934 Rules 13a-15(e) or 15d - 15(e)), include, without limitation, controls and procedures designed to ensure that information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer, with the participation of other management officials, evaluated the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2010. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

We are in the process of replacing our legacy information technology systems. We completed the third phase of this multi-year project during the second quarter of 2010. The new information technology systems were a source for some information presented in this Quarterly Report on Form 10-Q. We are continuing to work toward the full implementation of the new information technology systems and expect to complete that process in 2011.

No other changes were made to our internal controls over financial reporting or other factors that could affect these controls during the second quarter of 2010.

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PART II OTHER INFORMATION

Item 1 Legal Proceedings

Certain legal proceedings in which we are involved are discussed in Note 12 to the consolidated financial statements and Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2009, and in Part II, Item 1 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010. See Note 19 to the condensed consolidated financial statements for a discussion of certain recent developments concerning our legal proceedings.

Item 1A Risk Factors

There were no material changes to the risk factors disclosed in Item 1A of Part 1 in our Form 10-K for the year ended December 31, 2009.

Item 6 Exhibits

Exhibit 31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

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

VULCAN MATERIALS COMPANY

/s/ Ejaz A. Khan
Ejaz A. Khan
Vice President, Controller and Chief Information Officer

Date August 4, 2010

/s/ Daniel F. Sansone
Daniel F. Sansone
Senior Vice President, Chief Financial Officer

Date August 4, 2010