

VULCAN MATERIALS CO
Form 10-Q
August 01, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarter ended **June 30, 2006**

OR

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

For the transition period from _____ to _____

VULCAN MATERIALS COMPANY

(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction
of incorporation)

1-4033
(Commission file number)

63-0366371
(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 ___

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer X Accelerated filer ___ Non-accelerated filer ___

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

<u>Class</u>	<u>Shares outstanding at June 30, 2006</u>
Common Stock, \$1 Par Value	96,495,999

VULCAN MATERIALS COMPANY

FORM 10-Q
QUARTER ENDED JUNE 30, 2006

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Vulcan Materials Company
and Subsidiary Companies

(Amounts in thousands)

Consolidated Balance Sheets	June 30 <u>2006</u>	December 31 <u>2005</u>	June 30 <u>2005</u>
<u>(Condensed and unaudited)</u>			
<u>Assets</u>			
	\$ 71,191	\$ 275,138	\$ 286,134
Cash and cash equivalents	--	175,140	248,980
Medium-term investments			
Accounts and notes receivable:	612,484	480,647	430,490
Accounts and notes receivable, gross	<u>(4,238)</u>	<u>(4,277)</u>	<u>(4,467)</u>
Less: Allowance for doubtful accounts	608,246	476,370	426,023
Accounts and notes receivable, net			
Inventories:	204,114	170,539	167,620
Finished products	10,138	9,602	7,738
Raw materials	1,959	1,589	1,409
Products in process	<u>18,452</u>	<u>16,022</u>	<u>14,568</u>
Operating supplies and other	234,663	197,752	191,335
Inventories	19,441	23,184	36,264
Deferred income taxes	<u>13,830</u>	<u>17,138</u>	<u>13,470</u>
Prepaid expenses	947,371	1,164,722	1,202,206
Total current assets	6,729	6,942	6,994
Investments and long-term receivables			
Property, plant and equipment:	3,668,316	3,481,708	3,373,095
Property, plant and equipment, cost	<u>(1,953,064)</u>	<u>(1,877,741)</u>	<u>(1,797,210)</u>
Less: Reserve for depr., depl., & amort.	1,715,252	1,603,967	1,575,885
Property, plant and equipment, net	630,802	617,083	636,582
Goodwill	<u>185,292</u>	<u>196,170</u>	<u>234,731</u>
Other assets	<u>\$ 3,485,446</u>	<u>\$ 3,588,884</u>	<u>\$ 3,656,398</u>
Total assets			
<u>Liabilities and Shareholders' Equity</u>			
Current maturities of long-term debt	\$ 32,547	\$ 272,067	\$ 242,065
Short-term borrowings	217,000	--	--
Trade payables and accruals	186,978	142,221	141,716
Other current liabilities	<u>187,193</u>	<u>164,726</u>	<u>197,310</u>
Total current liabilities	623,718	579,014	581,091
Long-term debt	322,645	323,392	355,706
Deferred income taxes	278,778	275,065	326,363
Other noncurrent liabilities	289,608	284,872	300,560
Other commitments and contingencies			
(Notes 13 & 20)			

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Shareholders' equity	<u>1,970,697</u>	<u>2,126,541</u>	<u>2,092,678</u>
Total liabilities and shareholders' equity	<u>\$ 3,485,446</u>	<u>\$ 3,588,884</u>	<u>\$ 3,656,398</u>

See accompanying Notes to Condensed Consolidated Financial Statements

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Vulcan Materials Company
and Subsidiary Companies

(Amounts and shares in thousands, except per share data)

Consolidated Statements of Earnings	<u>Three Months Ended</u> <u>June 30</u>		<u>Six Months Ended</u> <u>June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>(Condensed and unaudited)</u>				

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Net sales	\$ 807,781	\$ 705,348	\$ 1,450,053	\$ 1,184,748
Delivery revenues	<u>80,381</u>	<u>76,726</u>	<u>146,797</u>	<u>125,942</u>
Total revenues	888,162	782,074	1,596,850	1,310,690
Cost of goods sold	550,045	494,973	1,028,654	882,139
Delivery costs	<u>80,381</u>	<u>76,726</u>	<u>146,797</u>	<u>125,942</u>
Cost of revenues	<u>630,426</u>	<u>571,699</u>	<u>1,175,451</u>	<u>1,008,081</u>
Gross profit	257,736	210,375	421,399	302,609
Selling, administrative and general expenses	65,180	55,688	130,222	107,124
	<u>(25,392)</u>	<u>1,182</u>	<u>(25,524)</u>	<u>4,211</u>
Other operating (income) expense, net	217,948	153,505	316,701	191,274
Operating income	10,756	680	22,849	2,234
	1,472	3,146	4,119	5,634
Other income, net	<u>5,690</u>	<u>9,615</u>	<u>11,975</u>	<u>18,873</u>
Interest income				
Interest expense	224,486	147,716	331,694	180,269
Earnings from continuing operations before income taxes	<u>75,080</u>	<u>45,764</u>	<u>110,551</u>	<u>56,883</u>
Provision for income taxes	149,406	101,952	221,143	123,386
Earnings from continuing operations	(2,868)	35,050	(5,900)	93,928
Discontinued operations (Note 3):	--	(4,769)	--	(11,232)
(Loss) earnings from results of discontinued operations	<u>1,153</u>	<u>(10,686)</u>	<u>2,366</u>	<u>(30,184)</u>
Minority interest in earnings of a consolidated subsidiary	<u>(1,715)</u>	<u>19,595</u>	<u>(3,534)</u>	<u>52,512</u>
Income tax benefit (provision)				
Earnings (loss) on discontinued operations, net of tax				
Net earnings	<u>\$ 147,691</u>	<u>\$ 121,547</u>	<u>\$ 217,609</u>	<u>\$ 175,898</u>
Basic earnings (loss) per share:	\$ 1.50	\$ 1.00	\$ 2.21	\$ 1.20
Earnings from continuing operations	<u>(0.01)</u>	<u>0.19</u>	<u>(0.03)</u>	<u>0.51</u>
Discontinued operations	<u>\$ 1.49</u>	<u>\$ 1.19</u>	<u>\$ 2.18</u>	<u>\$ 1.71</u>
Net earnings per share	\$ 1.47	\$ 0.98	\$ 2.16	\$ 1.18
Diluted earnings (loss) per	<u>(0.02)</u>	<u>0.19</u>	<u>(0.03)</u>	<u>0.51</u>

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share:	<u>\$ 1.45</u>	<u>\$ 1.17</u>	<u>\$ 2.13</u>	<u>\$ 1.69</u>
Earnings from continuing operations				
Discontinued operations				
Net earnings per share				
Weighted-average common shares outstanding:				
Basic	99,430	102,259	99,988	102,595
Assuming dilution	101,636	104,026	102,153	104,316
Cash dividends declared per share of common stock	\$ 0.37	\$ 0.29	\$ 0.74	\$ 0.58
Depreciation, depletion, accretion and amortization from continuing operations	\$ 54,785	\$ 54,833	\$ 107,999	\$ 107,185
Effective tax rate	33.4%	31.0%	33.3%	31.6%

See accompanying Notes to Condensed Consolidated Financial Statements

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Vulcan Materials Company
and Subsidiary Companies

(Amounts in thousands)

Consolidated Statements of Cash Flows	<u>Six Months Ended</u> <u>June 30</u>	
<u>(Condensed and unaudited)</u>	<u>2006</u>	<u>2005</u>

Operating Activities

Net earnings	\$ 217,609	\$ 175,898
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion, accretion and amortization	108,018	107,639
Net gain on sale of property, plant and equipment	(2,061)	(3,091)
Net gain on sale of contractual rights	(24,849)	--
Contributions to pension plans	(778)	(502)
Increase in assets before initial effects of business acquisitions and dispositions	(139,718)	(147,847)
Increase in liabilities before initial effects of business acquisitions and dispositions	34,190	88,650
Other, net	<u>1,690</u>	<u>(6,680)</u>
Net cash provided by operating activities	<u>194,101</u>	<u>214,067</u>

Investing Activities

Purchases of property, plant and equipment	(187,273)	(100,125)
Proceeds from sale of property, plant and equipment	4,742	4,347
Proceeds from sale of contractual rights, net of cash transaction fees	24,888	--
Proceeds from sale of Chemicals business, net of cash transaction fees	--	213,624
Payment for partner's interest in consolidated Chemicals joint venture	--	(62,701)
Payment for businesses acquired, net of acquired cash	(20,355)	(72,715)
Purchases of medium-term investments	--	(203,360)
Proceeds from sales and maturities of medium-term investments	175,140	133,590
Change in investments and long-term receivables	240	544
Other, net	<u>4,473</u>	<u>--</u>
Net cash provided by (used for) investing activities	<u>1,855</u>	<u>(86,796)</u>

Financing Activities

Net short-term borrowings	217,000	--
Payment of short-term debt and current maturities	(240,305)	(1,127)
Payment of long-term debt	--	(8,253)
Purchases of common stock	(335,224)	(69,005)
Dividends paid	(73,855)	(59,436)
Proceeds from exercise of stock options	19,537	25,187
Excess tax benefits from exercise of stock options	9,626	--
Other, net	<u>3,318</u>	<u>47</u>
Net cash used for financing activities	<u>(399,903)</u>	<u>(112,587)</u>

Net (decrease) increase in cash and cash equivalents	(203,947)	14,684
Cash and cash equivalents at beginning of period	<u>275,138</u>	<u>271,450</u>
Cash and cash equivalents at end of period	<u>\$ 71,191</u>	<u>\$ 286,134</u>

See accompanying Notes to Condensed Consolidated Financial Statements

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VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Our accompanying condensed consolidated financial statements have been prepared in compliance with Form 10-Q instructions 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. The statements should be read in conjunction with the summary of accounting policies and notes to financial statements included in our latest annual report on Form 10-K.

Due to the 2005 sale of our Chemicals business, as presented in Note 3, the operating results of the Chemicals business have been presented as discontinued operations in the accompanying Condensed Consolidated Statements of Earnings.

2. Share-based Compensation Plans

Our 1996 Long-term Incentive Plan expired effective May 1, 2006. Effective May 12, 2006, our shareholders approved the 2006 Omnibus Long-term Incentive Plan (Plan), which authorizes the granting of stock options and other types of share-based awards to key salaried employees and non-employee directors. The maximum number of shares that may be issued under the Plan is 5,400,000.

Prior to January 1, 2006, we accounted for our share-based compensation awards under the intrinsic value recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations. Additionally, we complied with the disclosure provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (FAS 123) and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (FAS 148). Under the provisions of these pronouncements, compensation expense for our share-based compensation awards was determined as follows. Compensation expense for deferred stock unit awards was based on the market value of our underlying common stock on the date of grant and was recognized in net earnings ratably over the 10-year maximum vesting life. Compensation expense for performance share awards was recognized over the 3-year term of the award

and was adjusted each period based on internal performance measures, changes in the market value of our common stock, and total shareholder return versus a preselected comparison group. Generally, no compensation expense was recognized in net earnings for our stock option awards, as all options granted had an exercise price equal to the market value of our underlying common stock on the date of grant. Expense recognized for stock options in periods prior to our adoption of SFAS No. 123 (revised 2004), "Share-Based Payment" [FAS 123(R)], resulted from the accounting treatment required for modifications to awards under the provisions of APB 25.

On January 1, 2006, we adopted the fair value recognition provisions of FAS 123(R) using the modified-prospective transition method. Under this transition method, compensation cost is recognized beginning with the effective date: (a) based on the requirements of FAS 123(R) for all share-based awards granted after the effective date and (b) based on the requirements of FAS 123 for all awards granted to employees prior to the effective date of FAS 123(R) that remain unvested on the effective date. Accordingly, we did not restate our results for prior periods. The most notable change with the adoption is that compensation expense associated with stock options is now

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recognized in our Consolidated Statements of Earnings, rather than being disclosed in a pro forma footnote to our consolidated financial statements. Additionally, prior to adoption, for pro forma and actual reporting, we recognized compensation cost for all share-based compensation awards over the nominal (stated) vesting period. We will continue to follow this nominal vesting period approach for awards granted prior to our January 1, 2006 adoption of FAS 123(R). For awards granted subsequent to our adoption of FAS 123(R), compensation cost will be recognized over the shorter of:

- the nominal vesting period or
- the period until the employee's award becomes non-forfeitable upon reaching eligible retirement age under the terms of the award.

As a result of adopting FAS 123(R), for the three months ended June 30, 2006, we recognized a pretax charge related to stock options of approximately \$1.6 million, resulting in a decrease to earnings from continuing operations and net earnings of approximately \$1.0 million, or \$0.01 per basic and diluted share. During the six months ended June 30, 2006, we recognized a pretax charge related to stock options of approximately \$5.8 million, resulting in a decrease to earnings from continuing operations and net earnings of approximately \$3.5 million, or \$0.04 and \$0.03 per basic and diluted share, respectively.

We receive an income tax deduction for stock options equal to the excess of the market value of our common stock on the date of exercise over the stock option exercise price. Prior to the adoption of FAS 123(R), we presented the tax benefits from the exercise of stock options as a component of operating cash flows. FAS 123(R) requires the tax benefits resulting from tax deductions in excess of the compensation cost recognized (excess tax benefits) to be classified as financing cash flows. The \$9,626,000 in excess tax benefits classified as a financing cash inflow for the six months ended June 30, 2006 in the accompanying Condensed Consolidated Statements of Cash Flows relates to the exercise of stock options and would have been classified as an operating cash inflow if we had not adopted FAS 123(R).

A summary of unrecognized compensation expense as of June 30, 2006 related to share-based awards granted under our long-term incentive plans is presented below (in thousands of dollars):

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	Unrecognized Compensation <u>Expense</u>	Expected Weighted-average <u>Recognition</u> <u>(Years)</u>
Deferred stock units	\$ 6,576	3.1
Performance shares	6,729	1.0
Stock options	<u>12,264</u>	1.4
Total/weighted-average	<u>\$ 25,569</u>	1.7

During the three and six months ended June 30, 2006, we recognized pretax compensation expense related to our share-based compensation awards of \$4,359,000 and \$12,549,000, and tax benefits of \$1,712,000 and \$4,927,000, respectively. If share-based compensation expense for the three and six months ended June 30, 2005 had been determined and recorded based on the fair value method prescribed by FAS 123, which was superseded by FAS 123(R), our net earnings and net earnings per share would have been as follows (amounts in thousands, except per share data):

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	Three Months Ended <u>June 30,</u> <u>2005</u>	Six Months Ended <u>June 30,</u> <u>2005</u>
Net earnings, as reported	\$ 121,547	\$ 175,898
Add: Total share-based employee compensation expense included in reported net earnings under intrinsic value based methods for all awards, net of related tax effects	3,688	6,249
(1) Deduct: Total share-based employee compensation expense determined under fair value based method for all awards, net of related tax effects (2)	<u>(3,990)</u>	<u>(7,451)</u>

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Pro forma net earnings	<u>\$ 121,245</u>	<u>\$ 174,696</u>
Earnings per share:		
Basic, as reported	\$ 1.19	\$ 1.71
Basic, pro forma	\$ 1.19	\$ 1.70
Diluted, as reported	\$ 1.17	\$ 1.69
Diluted, pro forma	\$ 1.17	\$ 1.68

(1) Reflects compensation expense related to deferred stock units, stock option modifications and performance share awards.

(2) Reflects compensation expense related to deferred stock units, stock options and performance share awards.

DEFERRED STOCK UNITS

Deferred stock units were granted from 2001 through 2005. These awards vest ratably in years 6 through 10 following the date of grant, accrue dividend equivalents starting one year after grant, carry no voting rights and become payable after the 10th year. A single deferred stock unit entitles the recipient to one share of common stock upon vesting. Vesting is accelerated upon retirement at age 62 or older, death, disability or change of control as defined in the award agreement. Non-vested units are forfeited upon termination of employment for any other reason.

The fair value of deferred stock units is estimated on the date of grant based on the market price of our stock on the grant date. Compensation cost is recognized in net earnings ratably over the 10-year maximum vesting life during which employees perform related services. For awards granted on or after January 1, 2006, expense recognition is accelerated to the retirement eligible date for individuals who would meet the requirements for immediate vesting of awards upon reaching retirement age. The following table summarizes activity for our deferred stock units during the six months ended June 30, 2006:

	Number of <u>Shares</u>	Weighted -average Grant Date <u>Fair Value</u>
Non-vested at beginning of period	301,314	\$ 40.44
Granted	--	--
Dividend equivalents accrued	4,664	\$ 79.31
Vested	(2,396)	\$ 43.79
Cancelled/forfeited	<u>(1,712)</u>	\$ 40.38
Non-vested at end of period	<u>301,870</u>	\$ 41.01

The weighted-average grant date fair value of deferred stock units granted during the six months ended June 30, 2005 was \$57.69.

PERFORMANCE SHARES

Performance share awards were granted annually for three years beginning in 2003. Each performance share unit is equal to one share of our common stock, but carries no voting or dividend rights. The units ultimately paid for performance share awards may range from 0 to 200% of target. Fifty percent of the payment is based upon our 3-year-average Total Shareholder Return (TSR) performance relative to the 3-year-average TSR performance of a preselected comparison group of companies. The remaining 50% of the payment is based upon the achievement of established internal financial performance targets. These awards cliff vest three years from the date of grant. Vesting is accelerated upon retirement at age 55 or older, death, disability, or change of control, as defined in the award agreement. Nonvested units are forfeited upon termination for any other reason. Awards granted prior to 2005 are paid in an equal combination of cash and shares of our common stock. The cash portion of an award, if any, is based on the market value of our common stock on the measurement date. The performance shares granted in 2005 will be paid entirely in shares of our common stock.

The fair value of performance shares is estimated on the date of grant using a Monte Carlo simulation model. Compensation cost for awards that will be paid in shares is recognized in net earnings ratably over the 3-year maximum vesting life, is based on the awards that ultimately vest and is not adjusted for the actual target percentage achieved. Compensation cost for awards that will be paid in cash is recognized in net earnings over the 3-year maximum vesting life and is adjusted based upon changes in the fair market value of our common stock and changes in our relative TSR performance and internal performance targets. For awards granted on or after January 1, 2006, expense recognition is accelerated to the retirement eligible date for individuals who would meet the requirements for immediate vesting of awards upon reaching retirement age. The following table summarizes the activity for our performance share units during the six months ended June 30, 2006:

	Number of <u>Shares</u>	Weighted -average Grant Date <u>Fair</u> <u>Value</u>
(1)		
Non-vested at beginning of period	281,084	\$ 46.90
Granted	--	--
Vested	(93,334)	\$ 37.05
Cancelled/forfeited	<u>(1,050)</u>	\$ 50.07
Non-vested at end of period	<u>186,700</u>	\$ 51.81

(1) The number of common shares issued related to performance shares may range from 0 to 200% of the number of performance shares shown in the table above based on the achievement of established internal performance targets and our 3-year-average TSR performance relative to the 3-year-average TSR performance of a pre-selected comparison group.

The weighted-average grant date fair value of performance shares granted during the six months ended June 30, 2005 was \$55.09.

During the six months ended June 30, 2006, we made cash payments totaling \$6,700,000, net of applicable tax withholdings, under our performance share plan.

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STOCK OPTIONS

Stock options are granted with an exercise price equal to the market value of our underlying common stock on the date of grant. With the exceptions of the stock option grants awarded in December 2005 and January 2006, the options vest ratably over 5 years and expire 10 years subsequent to the grant. The options awarded in December 2005 and January 2006 were fully vested on the date of grant, expire 10 years subsequent to the grant, and shares obtained upon exercise of the options are restricted from sale until January 1, 2009 and January 24, 2009, respectively. Vesting is accelerated upon retirement at age 55 or older, death, disability, or change of control, as defined in the award agreement. Non-vested awards are forfeited upon termination for any other reason. Upon stock option exercise, we generally issue shares from treasury stock.

The fair value of stock options is estimated as of the date of grant using the Black-Scholes option pricing model. Compensation expense for stock options is based on this grant date fair value and is recognized for awards that ultimately vest. The following table presents the weighted-average fair value and the weighted-average assumptions used in estimating the fair value of option grants:

	<u>Six Months Ended</u> <u>June 30</u>	
	<u>2006</u>	<u>2005</u>
Fair value	\$ 16.95	\$ 15.75
Risk-free interest rate	4.34%	3.86%
Dividend yield	2.16%	2.06%
Volatility	26.22%	27.86%
Expected term	5.05 years	6.50 years

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The risk-free interest rate is based on the yield at the date of grant of a U.S. Treasury security with a maturity period equal to or approximating the option's expected term. The dividend yield assumption is based on our historical dividend payouts. The volatility assumption is based on the historical volatility of our common stock over a period equal to the option's expected term and the market-based implied volatility derived from options trading on our common stock. The expected term of options granted is based on historical experience and expectations about future exercises and represents the period of time that options granted are expected to be outstanding.

The following table summarizes our stock option activity for the six months ended June 30, 2006:

	<u>Number of Shares</u>	<u>Weighted- average Exercise Price</u>	<u>Weighted- average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding at beginning of period	7,510,066	\$ 46.38		
Granted	176,170	\$ 69.90		
Exercised	(536,034)	\$ 36.45		
Forfeited or expired	<u>(26,590)</u>	\$ 57.57		
Outstanding at end of period	<u>7,123,612</u>	\$ 47.66	5.75	\$ 214,686
Vested and expected to vest	6,909,056	\$ 47.57	5.68	\$ 208,801
Exercisable at end of period	5,788,382	\$ 57.58	5.33	\$ 174,908

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between our closing stock price on the last trading day of the second quarter of 2006 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all options been exercised on June 30, 2006. This value changes based on the fair market value of our common stock. The aggregate intrinsic value of options exercised during the six months ended June 30, 2006 and 2005 was \$24,021,000 and \$23,281,000, respectively.

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Cash received from stock option exercises during the six months ended June 30, 2006 was \$19,537,000. The tax benefit realized from the tax deductions for stock option exercises totaled \$9,626,000 for the six months ended June 30, 2006 and is reflected as a component of shareholders' equity in our Condensed Consolidated Balance Sheets.

3. Discontinued Operations

In June 2005, we sold substantially all the assets of our Chemicals business, known as Vulcan Chemicals, to a subsidiary of Occidental Chemical Corporation, Basic Chemicals. These assets consisted primarily of chloralkali plants in Wichita, Kansas, Geismar, Louisiana and Port Edwards, Wisconsin; and the facilities of our Chloralkali joint venture located in Geismar. The decision to sell the Chemicals business was based on our desire to focus our resources on the Construction Materials business.

In consideration for the sale of the Chemicals business, Basic Chemicals made an initial cash payment of \$214.0 million and assumed certain liabilities relating to the business as described below. Concurrent with the sale transaction, we acquired the 49% interest in the joint venture not owned by us for an initial cash payment of \$62.7 million, and conveyed such interest to Basic Chemicals. The net initial cash proceeds of \$151.3 million are subject to adjustments for actual working capital balances at the closing date, transaction costs and income taxes. The purchaser also assumed certain liabilities relating to the Chemicals business, including the obligation to monitor and remediate historical and future releases of hazardous materials at or from the three plant facilities.

Basic Chemicals is required to make future payments under two separate earn-out agreements subject to certain conditions. The first earn-out agreement is based on ECU (electrochemical unit) and natural gas prices during the five-year period beginning July 1, 2005, and is capped at \$150 million (ECU earn-out or ECU derivative). The ECU earn-out is accounted for as a derivative instrument; accordingly, it is reported at fair value. Changes to the fair value of the ECU derivative, if any, are recorded within continuing operations pursuant to the Securities and Exchange Commission (SEC) Staff Accounting Bulletin Topic 5:Z:5, "Classification and Disclosure of Contingencies Relating to Discontinued Operations" (SAB Topic 5:Z:5). Future estimates of this derivative's fair value could vary materially from period to period. 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 will be shared equally between Vulcan and Basic Chemicals. The primary determinant of the value for this earn-out will be growth in 5CP sales volume. There can be no assurance as to the future amount received from these earn-outs, if any.

The fair value of the consideration received in connection with the sale of the Chemicals business, including anticipated cash flows from the two earn-out agreements, is expected to exceed the net carrying value of the assets and liabilities sold. However, since SFAS No. 5, "Accounting for Contingencies," precludes the recognition of a contingent gain until realization is assured beyond a reasonable doubt, no gain was recognized on the Chemicals sale. Accordingly, the value recorded at the June 7, 2005 closing date referable to these two earn-outs was limited to \$128.2 million. The combined carrying amount of these earn-outs (reflected in accounts and notes receivable and other noncurrent assets in the accompanying Condensed Consolidated Balance Sheets) as of June 30, 2006 and December 31, 2005 is \$167.5 million and \$148.4 million, of which \$138.0 million

and \$105.7 million are classified as current, respectively. The \$19.1 million increase in these assets from December 31, 2005 to June 30, 2006 is due to a gain of \$23.0 million on the ECU earn-out (reflected as a component of other income, net in our Condensed Consolidated Statement of Earnings for the six months ended June 30) offset in part by the first cash receipt in March 2006 under the 5CP earn-out totaling \$3.9 million.

As a result of the sale of our Chemicals business, we incurred approximately \$23.7 million of pretax exit and disposal

charges and transaction fees accounted for under the provisions of SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." These costs consist of a \$7.8 million expense under SFAS No. 88, "Employers' Accounting for Settlements & Curtailments of Defined Benefit Pension Plans and for Termination Benefits"; \$10.4 million for employee severance expenses, primarily referable to outstanding share-based incentive awards; and \$5.5 million for various transaction fees. As of June 30, 2006, we have recognized substantially all of the estimated \$23.7 million of pretax exit and disposal charges and transaction fees. During the second quarter of 2006, we recognized an insignificant amount of pretax exit and disposal charges in results of discontinued operations and we expect our total pretax exit and disposal charges for the remainder of 2006 to be insignificant.

We are potentially liable for a cash transaction bonus payable in the future to certain key former Chemicals employees. This transaction bonus will be payable only if cash receipts realized from the two earn-out agreements described above exceed an established minimum threshold. Based on our evaluation of possible cash receipts from the earn-outs, the likely range for the contingent payment to certain key former Chemicals employees is between \$0 and approximately \$5 million. As of June 30, 2006, the calculated transaction bonus would be \$0 and, as such, no liability for these contingent payments has been recorded.

Under the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" (FAS 144), the financial results of the Chemicals business are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Earnings for all periods presented.

Net sales, total revenues and pretax (loss) earnings from discontinued operations, excluding the deferred gain on disposal and minority interest, are as follows (in millions of dollars):

	<u>Three Months Ended</u> <u>June 30</u>		<u>Six Months Ended</u> <u>June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net sales	\$ --	\$ 147.3	\$ --	\$ 339.7
Total revenues	\$ --	\$ 158.0	\$ --	\$ 364.4
Pretax (loss) earnings	\$ (2.9)	\$ 35.0	\$ (5.9)	\$ 93.9

Pretax losses from discontinued operations of \$2.9 million and \$5.9 million during the three and six month periods ended June 30, 2006, respectively, reflect charges related to general and product liability costs and environmental remediation costs associated with our former Chemicals businesses.

4. Earnings Per Share (EPS)

We report two earnings per share numbers, basic and diluted. These are computed by dividing net earnings 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):

	<u>Three Months Ended</u> <u>June 30</u>		<u>Six Months Ended</u> <u>June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Weighted-average common shares outstanding	99,430	102,259	99,988	102,595
Dilutive effect of:	1,761	1,299	1,738	1,280
Stock options	<u>445</u>	<u>468</u>	<u>427</u>	<u>441</u>
Other				
Weighted-average common shares outstanding, assuming dilution	<u>101,636</u>	<u>104,026</u>	<u>102,153</u>	<u>104,316</u>

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. The number of antidilutive common stock equivalents were as follows (in thousands of shares):

	<u>Three Months Ended</u> <u>June 30</u>		<u>Six Months Ended</u> <u>June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Antidilutive common stock equivalents	6	--	6	--

5. 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, we estimate the annual tax rate based on projected taxable income for the full year and record a quarterly income 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.

We establish accruals for certain tax contingencies when, despite the belief that our tax return positions are fully supported, we believe that certain positions are likely to be challenged and that our positions may not be fully sustained. The methodology utilized in establishing our tax contingency accrual involves estimating the risk to each exposure item and accruing at the appropriate amount. The tax contingency accruals are 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 tax contingency accruals and subsequent adjustments as considered appropriate by management.

The effective tax rate from continuing operations was 33.4% for the three months ended June 30, 2006, up from the 31.0% rate during the same period of 2005. This increase principally reflects the effects of an adjustment to estimated income tax liabilities for prior years, a reduction in tax-exempt interest income and an increase in state income taxes.

The effective tax rate from continuing operations for the six months ended June 30, 2006 was 33.3%, up from the 31.6% rate during the same period of 2005. This increase principally reflects a reduction in tax-exempt interest income, an increase in state income taxes and the effects of an adjustment to estimated income tax liabilities for prior years.

6. Medium-term Investments

We had no medium-term investments as of June 30, 2006. At the comparative periods presented below, our medium-term investments consist of highly liquid securities with a contractual maturity in excess of three months at the time of purchase. We classify our medium-term investments as either available-for-sale or held-to-maturity. Investments classified as available-for sale consist of variable rate demand obligations and are reported at fair value, which is equal to cost. Investments classified as held-to-maturity consist of fixed rate debt securities and are reported at cost. The reported value of these investments by major security type are summarized below (in thousands of dollars):

	<u>June 30</u> <u>2006</u>	<u>Dec. 31</u> <u>2005</u>	<u>June 30</u> <u>2005</u>
Bonds, notes and other securities:			
Variable rate demand obligations	\$ --	\$ 165,140	\$ 245,680
Other debt securities	<u>--</u>	<u>10,000</u>	<u>3,300</u>
Total medium-term investments	<u>\$ --</u>	<u>\$ 175,140</u>	<u>\$ 248,980</u>

While the contractual maturities for the variable rate demand obligations noted above are generally long term (longer than one year), these securities have certain economic characteristics of current (less than one year) investments because of their rate-setting mechanisms. Therefore, all our medium-term investments are classified as current assets based on our investing practices and intent.

Proceeds, gross realized gains and gross realized losses from sales and maturities of medium-term investments are summarized below (in thousands of dollars):

<u>Three Months Ended</u> <u>June 30</u>		<u>Six Months Ended</u> <u>June 30</u>	
<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>

Proceeds	\$ 68,965	\$ 19,195	\$ 175,140	\$ 133,590
Gross realized gains	insignificant	insignificant	insignificant	insignificant
Gross realized losses	insignificant	insignificant	insignificant	insignificant

There were no transfers from either the available-for-sale or held-to-maturity categories to the trading category during the three months ended June 30, 2006 and 2005. There were no gross unrealized holding gains or losses related to medium-term investments classified as available-for sale or held-to-maturity as of June 30, 2006 and 2005.

7. Derivative Instruments

In connection with the sale of our Chemicals business, we entered into an earn-out agreement that requires the purchaser, Basic Chemicals, to make future payments based on ECU (electrochemical unit) and natural gas prices during the five-year period beginning July 1, 2005, not to exceed \$150.0 million. We have not designated the ECU earn-out as a hedging instrument and, accordingly, gains and losses resulting from changes in the fair value, if any, are recognized in current earnings. Furthermore, pursuant to SAB Topic 5:Z:5, changes in fair value are recognized in continuing operations. During the three and six month periods ended June 30, 2006, we recorded gains of \$10,805,000 and \$22,986,000, respectively, which is reflected in other income, net of other charges, in our accompanying Condensed Consolidated Statements of Earnings.

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In November 2003, we entered into an interest rate swap agreement for a stated (notional) amount of \$50,000,000 under which we pay the six-month London Interbank Offered Rate (LIBOR) plus a fixed spread and receive a fixed rate of interest of 6.40% from the counterparty to the agreement. We designated this instrument as an effective fair value hedge in accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). Accordingly, the mark-to-market value of the hedge, which terminated February 1, 2006, was reflected in our Condensed Consolidated Balance Sheets with an adjustment to record the underlying hedged debt at its fair value. For the prior periods presented, December 31, 2005 and June 30, 2005, the estimated fair value of our interest rate swap agreement reflected projected payments of \$465,000 and \$464,000, respectively.

There was no impact to earnings due to hedge ineffectiveness during the six months ended June 30, 2006 and 2005.

8. Comprehensive Income

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

	<u>Three Months Ended</u> <u>June 30</u>		<u>Six Months Ended</u> <u>June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net earnings	\$ 147,691	\$ 121,547	\$ 217,609	\$ 175,898
Other comprehensive income:				
Fair value adjustments to cash	<u> --</u>	<u> --</u>	<u> --</u>	<u> 61</u>
flow hedges	<u>\$ 147,691</u>	<u>\$ 121,547</u>	<u>\$ 217,609</u>	<u>\$ 175,959</u>
Total comprehensive income				

9. Shareholders' Equity

On February 10, 2006, the Board of Directors increased to 10,000,000 shares the existing authorization to purchase common stock. The number and cost of shares purchased during the periods presented and shares held in treasury at period end are shown below:

	<u>Three Months Ended</u> <u>June 30</u>		<u>Six Months Ended</u> <u>June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Shares purchased:				
Number	4,235,200	340,589	4,507,322	1,212,638
Total cost (thousands)	\$ 333,565	\$ 19,523	\$ 352,902	\$ 69,005
Average cost	\$ 78.76	\$ 57.32	\$ 78.30	\$ 56.90

	<u>June 30</u> <u>2006</u>	<u>Dec. 31</u> <u>2005</u>	<u>June 30</u> <u>2005</u>
Shares in treasury at period end:			
Number	43,208,973	39,378,985	37,415,640
Average cost	\$ 26.20	\$ 19.94	\$ 16.81

The 4,235,200 shares purchased during the second quarter of 2006 were purchased in the open market. The number of shares purchased in the six months ended June 30, 2006 includes 4,456,600 shares purchased in the open market and 50,722 shares purchased directly from employees to satisfy income tax withholding requirements on shares issued pursuant to incentive compensation plans.

10. Benefit Plans

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

PENSION BENEFITS	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Components of Net Periodic Benefit Cost:				
Cost:	\$ 4,581	\$ 5,215	\$ 9,162	\$ 10,594
Service cost	8,031	7,710	16,062	15,580
Interest cost	(10,993)	(10,302)	(21,986)	(20,639)
Expected return on plan assets	267	572	534	1,169
Amortization of prior service cost	<u>434</u>	<u>317</u>	<u>868</u>	<u>618</u>
Recognized actuarial loss				
Net periodic benefit cost	<u>\$ 2,320</u>	<u>\$ 3,512</u>	<u>\$ 4,640</u>	<u>\$ 7,322</u>
OTHER POSTRETIREMENT BENEFITS	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Components of Net Periodic Benefit Cost:				
Cost:	\$ 904	\$ 1,092	\$ 1,808	\$ 2,243
Service cost	1,190	1,364	2,380	2,827
Interest cost	(42)	(45)	(84)	(93)
Amortization of prior service cost	<u>119</u>	<u>364</u>	<u>238</u>	<u>810</u>
Recognized actuarial loss				
Net periodic benefit cost	<u>\$ 2,171</u>	<u>\$ 2,775</u>	<u>\$ 4,342</u>	<u>\$ 5,787</u>

As previously disclosed in the notes to our financial statements for the year ended December 31, 2005, we expect to contribute \$1,190,000 to our unfunded, nonqualified pension plans and pay \$5,555,000 to cover our postretirement obligations in 2006. During the six months ended June 30, 2006 and 2005, contributions of \$778,000 and \$502,000,

respectively, were made to our pension plans.

11. Short-term Borrowings and Long-term Debt

Short-term borrowings at June 30, 2006 consist of \$217,000,000 of commercial paper having maturities ranging from 3 to 31 days and interest rates ranging from 5.30% to 5.32%. We plan to reissue most, if not all, of these notes when they mature. These short-term borrowings are used for general corporate purposes, including working capital requirements.

Long-term debt is set forth below (in thousands of dollars):

	June 30 <u>2006</u>	Dec. 31 <u>2005</u>	June 30 <u>2005</u>
6.40% 5-year notes issued 2001*	\$ --	\$ 239,535	\$ 239,536
6.00% 10-year notes issued 1999	250,000	250,000	250,000
Private placement notes	81,772	82,209	82,674
Medium-term notes	21,000	21,000	23,000
Tax-exempt bonds	--	--	--
Other notes	<u>2,420</u>	<u>2,715</u>	<u>2,561</u>
Total debt excluding short-term borrowings	<u>\$ 355,192</u>	<u>\$ 595,459</u>	<u>\$ 597,771</u>
Less current maturities of long-term debt	<u>32,547</u>	<u>272,067</u>	<u>242,065</u>
Total long-term debt	<u>\$ 322,645</u>	<u>\$ 323,392</u>	<u>\$ 355,706</u>
Estimated fair value of long-term debt	<u>\$ 329,305</u>	<u>\$ 339,291</u>	<u>\$ 383,190</u>

*Includes a reduction in valuation for the fair value of interest rate swaps, as follows: December 31, 2005 - \$465,000 and June 30, 2005 - \$464,000.

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In February 2006, we retired \$240,000,000 of 6.40% five-year notes issued in 2001 (listed in the table above net of the reductions for the interest rate swap). In November 2005, we retired an 8.07% medium-term note issued in 1991 in the amount of \$2,000,000. In May 2005, we called and redeemed \$8,200,000 of variable-rate, tax-exempt bond issues maturing in 2009.

12. Asset Retirement Obligations

SFAS No. 143, "Accounting for Asset Retirement Obligations" (FAS 143) applies to legal obligations associated with the retirement of long-lived assets resulting from the acquisition, construction, development and/or normal use of the underlying assets.

FAS 143 requires recognition of a liability for an asset retirement obligation 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. FAS 143 operating costs for our continuing operations are reported in cost of goods sold. FAS 143 asset retirement obligations are reported within other noncurrent liabilities in our accompanying Condensed Consolidated Balance Sheets.

A reconciliation of the carrying amount of our asset retirement obligations is as follows (in thousands of dollars):

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Balance at beginning of period	\$ 109,834	\$ 99,503	\$ 105,774	\$ 90,906
Liabilities incurred	675	582	1,022	2,458
Liabilities (settled)	(4,563)	(3,983)	(7,488)	(5,091)
Accretion expense	1,368	1,185	2,640	2,292
Revisions up	<u>2,902</u>	<u>5,566</u>	<u>8,268</u>	<u>12,288</u>
Asset retirement obligations	<u>\$ 110,216</u>	<u>\$ 102,853</u>	<u>\$ 110,216</u>	<u>\$ 102,853</u>

13. Standby Letters of Credit

We provide certain third parties with irrevocable standby letters of credit in the normal course of business operations. Our commercial banks issue standby letters of credit to secure our obligations to pay or perform when required to do so pursuant to the requirements of an underlying agreement or the provision of goods and services. 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 cancelled. Substantially all of our standby letters of credit are renewable annually at the option of the beneficiary.

Our standby letters of credit as of June 30, 2006 are summarized in the table below (in thousands of dollars):

	<u>Amount</u>	<u>Term</u>	<u>Maturity</u>
Risk management requirement for insurance claims	\$ 16,194	One year	Renewable annually
Payment surety required by contract	14,898	--	February 2007
Payment surety required by utilities	100	One year	Renewable annually
Contractual reclamation/restoration requirements	<u>35,338</u>	One year	Renewable annually
Total standby letters of credit	<u>\$ 66,530</u>		

14. Business Acquisitions

During the six months ended June 30, 2006, we acquired the assets of the following businesses for cash payments of approximately \$20,355,000, including acquisition costs and net of acquired cash:

- an aggregates facility in North Carolina
- an aggregates facility and asphalt plant in Indiana
- an aggregates facility in Virginia

15. Goodwill

The changes in the carrying amount of goodwill for the periods presented below are as follows (in thousands of dollars):

Goodwill as of June 30, 2005	<u>\$ 636,582</u>
Goodwill of acquired businesses	12,469
Purchase price allocation adjustments	<u>(31,968)</u>
Goodwill as of December 31, 2005	<u>\$ 617,083</u>
Goodwill of acquired business *	13,719
Purchase price allocation adjustments	<u> --</u>
Goodwill as of June 30, 2006	<u>\$ 630,802</u>

* The goodwill of acquired business for 2006 relates to the acquisitions listed in Note 14 above. We are in the preliminary stage of purchase price allocation; therefore, the goodwill amount is subject to change. When finalized, the goodwill from the 2006 acquisitions is expected to be fully deductible for income tax purposes.

16. New Accounting Standard

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement

No. 109, "Accounting for Income Taxes," by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under FIN 48, the financial statement effects of a tax position should initially be recognized when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold should initially and subsequently be measured as the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with a taxing authority. FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect, if any, of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of retained earnings in the period adopted. We are currently evaluating the impact that the adoption of FIN 48 will have on our results of operations, financial position and liquidity.

17. Enterprise Data - Continuing Operations

In our Construction Materials business, we produce and sell aggregates and related products and services in seven regional divisions. All these divisions exhibit similar economic characteristics, product processes, products and services, types and classes of customers, methods of distribution and regulatory environments. Accordingly, they have been aggregated into one reporting segment for financial statement purposes. Customers use aggregates primarily in the construction and maintenance of highways, streets and other public works and in the construction of housing and commercial, industrial and other private nonresidential facilities. Because the majority of our

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activities are domestic, assets outside the United States are not material. We sell a relatively small amount of construction aggregates outside the United States. Due to the sale of our Chemicals business as described in Note 3, we have one reportable segment, Construction Materials, which constitutes continuing operations.

Net sales by product are summarized below (in millions of dollars):

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
NET SALES BY PRODUCT				
Aggregates	\$ 569.7	\$ 512.1	\$ 1,029.6	\$ 868.4
Asphalt mix	126.1	95.2	211.3	148.6
Concrete	72.5	66.8	137.1	116.8
Other	<u>39.5</u>	<u>31.2</u>	<u>72.1</u>	<u>50.9</u>
Total	<u>\$ 807.8</u>	<u>\$ 705.3</u>	<u>\$ 1,450.1</u>	<u>\$ 1,184.7</u>

18. Supplemental Cash Flow Information

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Supplemental information referable to our Condensed Consolidated Statements of Cash Flows for the six months ended June 30 is summarized below (in thousands of dollars):

	<u>2006</u>	<u>2005</u>
Cash payments:		
Interest (exclusive of amount capitalized)	\$ 18,059	\$ 18,936
Income taxes	57,958	61,697
Noncash investing and financing activities:		
Accrued liabilities for purchases of property, plant and equipment	15,194	4,943
Accrued liabilities for purchases of treasury stock	17,678	--
Amounts referable to business acquisitions:		
Liabilities assumed	--	5,634
Noncash proceeds from the sale of the Chemicals business:		
Earn-outs (Note 3)	--	128,167
Working capital adjustments	--	13,559