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Vulcan Materials CO
Form 10-Q
August 05, 2015
UNITED STATES

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 quarterly period ended June 30, 2015

OR

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 (State or other jurisdiction of incorporation)	20-8579133 (I.R.S. Employer Identification No.)
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1200 Urban Center Drive, Birmingham, Alabama (Address of principal executive offices)	35242 (zip code)
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(205) 298-3000 (Registrant's telephone number including
area code)

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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 No

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 No

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	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	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 No

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 July 31, 2015
Common Stock, \$1 Par Value	133,186,371

VULCAN MATERIALS COMPANY

FORM 10-Q

QUARTER ENDED JUNE 30, 2015

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Unless otherwise stated or the context otherwise requires, references in this report to “Vulcan,” the “Company,” “we,” “our,” or “us” refer to Vulcan Materials Company and its consolidated subsidiaries.

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part I financial information

ITEM 1

FINANCIAL STATEMENTS

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited, except for December 31 in thousands, except per share data	June 30 2015	December 31 2014	June 30 2014
Assets			
Cash and cash equivalents	\$ 74,736	\$ 141,273	\$ 227,684
Restricted cash	0	0	62,087
Accounts and notes receivable			
Accounts and notes receivable, gross	495,781	378,947	439,938
Less: Allowance for doubtful accounts	(5,370)	(5,105)	(5,606)
Accounts and notes receivable, net	490,411	373,842	434,332
Inventories			
Finished products	292,932	275,172	260,111
Raw materials	21,610	19,741	20,458
Products in process	1,461	1,250	1,104
Operating supplies and other	25,825	25,641	28,041
Inventories	341,828	321,804	309,714
Current deferred income taxes	39,562	39,726	40,858
Prepaid expenses	75,663	28,640	27,309
Assets held for sale	0	15,184	0
Total current assets	1,022,200	920,469	1,101,984
Investments and long-term receivables	41,603	41,650	42,128
Property, plant & equipment			
Property, plant & equipment, cost	6,752,916	6,608,842	6,396,658
Reserve for depreciation, depletion & amortization	(3,637,392)	(3,537,212)	(3,494,896)
Property, plant & equipment, net	3,115,524	3,071,630	2,901,762
Goodwill	3,094,824	3,094,824	3,081,521
Other intangible assets, net	767,995	758,243	633,442
Other noncurrent assets	153,737	154,281	150,001
Total assets	\$ 8,195,883	\$ 8,041,097	\$ 7,910,838
Liabilities			

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Current maturities of long-term debt	14,124	150,137	158
Short-term debt (line of credit)	138,500	0	0
Trade payables and accruals	190,904	145,148	178,239
Other current liabilities	163,112	156,073	171,008
Liabilities of assets held for sale	0	520	0
Total current liabilities	506,640	451,878	349,405
Long-term debt	1,893,737	1,834,642	1,983,319
Noncurrent deferred income taxes	686,171	691,137	704,544
Deferred revenue	211,429	213,968	217,589
Other noncurrent liabilities	670,949	672,773	569,794
Total liabilities	\$ 3,968,926	\$ 3,864,398	\$ 3,824,651
Other commitments and contingencies (Note 8)			
Equity			
Common stock, \$1 par value, Authorized 480,000 shares, Issued 132,984, 131,907 and 130,910 shares, respectively	132,984	131,907	130,910
Capital in excess of par value	2,791,232	2,734,661	2,665,793
Retained earnings	1,453,752	1,471,845	1,382,711
Accumulated other comprehensive loss	(151,011)	(161,714)	(93,227)
Total equity	\$ 4,226,957	\$ 4,176,699	\$ 4,086,187
Total liabilities and equity	\$ 8,195,883	\$ 8,041,097	\$ 7,910,838

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

Unaudited in thousands, except per share data	Three Months Ended		Six Months Ended	
	2015	June 30 2014	2015	June 30 2014
Total revenues	\$ 895,143	\$ 791,143	\$ 1,526,436	\$ 1,365,563
Cost of revenues	660,694	616,355	1,214,122	1,156,682
Gross profit	234,449	174,788	312,314	208,881
Selling, administrative and general expenses	69,197	67,615	135,960	133,733
Gain on sale of property, plant & equipment and businesses, net	249	1,162	6,624	237,526
Restructuring charges	(1,280)	0	(4,098)	0
Other operating expense, net	(10,445)	(5,089)	(14,346)	(14,758)
Operating earnings	153,776	103,246	164,534	297,916
Other nonoperating income (expense), net	(439)	1,798	542	4,622
Interest expense, net	83,651	40,551	146,132	160,639
Earnings from continuing operations before income taxes	69,686	64,493	18,944	141,899
Provision for income taxes	19,867	17,982	5,791	40,882
Earnings from continuing operations	49,819	46,511	13,153	101,017
Loss on discontinued operations, net of tax	(1,657)	(544)	(4,669)	(1,054)
Net earnings	\$ 48,162	\$ 45,967	\$ 8,484	\$ 99,963
Other comprehensive income, net of tax				
Reclassification adjustment for cash flow hedges	3,077	584	5,325	3,569
Adjustment for funded status of benefit plans	0	0	0	2,943
Amortization of actuarial loss and prior service cost for benefit plans	2,697	1,115	5,378	(108)
Other comprehensive income	5,774	1,699	10,703	6,404
Comprehensive income	\$ 53,936	\$ 47,666	\$ 19,187	\$ 106,367
Basic earnings (loss) per share				
Continuing operations	\$ 0.37	\$ 0.35	\$ 0.10	\$ 0.77
Discontinued operations	(0.01)	0.00	(0.04)	(0.01)
Net earnings	\$ 0.36	\$ 0.35	\$ 0.06	\$ 0.76
Diluted earnings (loss) per share				
Continuing operations	\$ 0.37	\$ 0.35	\$ 0.10	\$ 0.76
Discontinued operations	(0.01)	0.00	(0.04)	(0.01)
Net earnings	\$ 0.36	\$ 0.35	\$ 0.06	\$ 0.75
Weighted-average common shares outstanding				
Basic	133,103	131,149	132,882	130,980

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Assuming dilution	135,234	132,876	134,689	132,468
Cash dividends per share of common stock	\$ 0.10	\$ 0.05	\$ 0.20	\$ 0.10
Depreciation, depletion, accretion and amortization	\$ 68,384	\$ 68,323	\$ 135,108	\$ 137,702
Effective tax rate from continuing operations	28.5%	27.9%	30.6%	28.8%

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

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VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited in thousands	Six Months Ended	
	2015	June 30 2014
Operating Activities		
Net earnings	\$ 8,484	\$ 99,963
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation, depletion, accretion and amortization	135,108	137,702
Net gain on sale of property, plant & equipment and businesses	(6,624)	(237,526)
Contributions to pension plans	(2,822)	(2,791)
Share-based compensation	9,679	11,928
Excess tax benefits from share-based compensation	(11,457)	(3,242)
Deferred tax provision (benefit)	(11,656)	24
Cost of debt purchase	67,075	72,949
Changes in assets and liabilities before initial effects of business acquisitions and dispositions	(109,790)	(59,893)
Other, net	(13,360)	3,786
Net cash provided by operating activities	\$ 64,637	\$ 22,900
Investing Activities		
Purchases of property, plant & equipment	(148,721)	(116,312)
Proceeds from sale of property, plant & equipment	3,419	20,454
Proceeds from sale of businesses, net of transaction costs	0	719,089
Payment for businesses acquired, net of acquired cash	(21,387)	(207)
Increase in restricted cash	0	(62,087)
Other, net	(334)	0
Net cash provided by (used for) investing activities	\$ (167,023)	\$ 560,937
Financing Activities		
Proceeds from line of credit	284,000	0
Payment of current maturities, long-term debt and line of credit	(676,445)	(579,694)
Proceeds from issuance of long-term debt	400,000	0
Debt and line of credit issuance costs	(7,382)	0
Proceeds from issuance of common stock	0	27,539
Dividends paid	(26,549)	(13,074)
Proceeds from exercise of stock options	50,769	12,095
Excess tax benefits from share-based compensation	11,457	3,242
Other, net	(1)	1
Net cash provided by (used for) financing activities	\$ 35,849	\$ (549,891)
Net increase (decrease) in cash and cash equivalents	(66,537)	33,946
Cash and cash equivalents at beginning of year	141,273	193,738
Cash and cash equivalents at end of period	\$ 74,736	\$ 227,684

The accompanying Notes to the Condensed Consolidated Financial Statements are an integral part of the statements.

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notes to condensed consolidated financial statements

Note 1: summary of significant accounting policies

NATURE OF OPERATIONS

Vulcan Materials Company (the “Company,” “Vulcan,” “we,” “our”), a New Jersey corporation, is the nation's largest producer of construction aggregates (primarily crushed stone, sand and gravel) and a major producer of asphalt mix and ready-mixed concrete.

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. Our Condensed Consolidated Balance Sheet as of December 31, 2014 was derived from the audited financial statement at that date. 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, 2015 are not necessarily indicative of the results that may be expected for the year ended December 31, 2015. For further information, refer to the consolidated financial statements and footnotes included in our most recent Annual Report on Form 10-K.

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 Comprehensive Income.

RECLASSIFICATIONS

Certain items previously reported in specific financial statement captions have been reclassified to conform with the 2015 presentation. During the quarter ended June 30, 2015, we early adopted Accounting Standards Update (ASU) No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” resulting in adjustments to our prior financial statements. See Note 17 for additional information.

RESTRICTED CASH

Restricted cash consists of cash proceeds from the sale of property held in escrow for the acquisition of replacement property under like-kind exchange agreements. The escrow accounts are administered by an intermediary. Pursuant to the like-kind exchange agreements, the cash remains restricted for a maximum of 180 days from the date of the property sale pending the acquisition of replacement property. Changes in restricted cash balances are reflected as an investment activity in the accompanying Condensed Consolidated Statements of Cash Flows.

RESTRUCTURING CHARGES

In 2014, we announced changes to our executive management team, and a new divisional organization structure that was effective January 1, 2015. During the three and six months ended June 30, 2015, we incurred \$1,280,000 and \$4,098,000, respectively, of costs related to these initiatives. Future related charges for these initiatives are estimated to be less than \$2,000,000.

EARNINGS PER SHARE (EPS)

Earnings per share 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	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Weighted-average common shares outstanding	133,103	131,149	132,882	130,980
Dilutive effect of				
Stock options/SOSARs	991	663	996	677
Other stock compensation plans	1,140	1,064	811	811
Weighted-average common shares outstanding, assuming dilution	135,234	132,876	134,689	132,468

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. In periods of loss, shares that otherwise would have been included in our diluted weighted-average common shares outstanding computation are excluded. There were no excluded shares for the periods presented.

The number of antidilutive common stock equivalents for which the exercise price exceeds the weighted-average market price is as follows:

in thousands	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Antidilutive common stock equivalents	556	2,356	556	2,356

Note 2: Discontinued Operations

In 2005, we sold substantially all the assets of our Chemicals business to Basic Chemicals, a subsidiary of Occidental Chemical Corporation. The financial results of the Chemicals business are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Comprehensive Income for all periods presented. There were no revenues from discontinued operations for the periods presented. Results from discontinued operations are as follows:

in thousands	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
Discontinued Operations				
Pretax loss	\$ (2,671)	\$ (897)	\$ (7,653)	\$ (1,739)
Income tax benefit	1,014	353	2,984	685
Loss on discontinued operations, net of income taxes	\$ (1,657)	\$ (544)	\$ (4,669)	\$ (1,054)

The losses from discontinued operations noted above were due primarily to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business.

Note 3: Income Taxes

Our estimated annual effective tax rate (EAETR) is based on full year expectations of pretax book earnings, statutory tax rates, permanent differences between book and tax accounting such as percentage depletion, and tax planning alternatives available in the various jurisdictions in which we operate. For interim financial reporting, except in circumstances as described in the following paragraph, we calculate our quarterly income tax provision in accordance with the EAETR. Each quarter, we update our EAETR based on our revised full year expectation of pretax book earnings and calculate the income tax provision so that the year-to-date income tax provision reflects the EAETR. Significant judgment is required in determining our EAETR.

When expected pretax book earnings for the full year are at or near breakeven, the EAETR can distort the income tax provision for an interim period due to the size and nature of our permanent differences. In these circumstances, we calculate the interim income tax provision using the year-to-date effective tax rate. This method results in an income tax provision based solely on the year-to-date pretax book earnings as adjusted for permanent differences on a pro rata basis. In the second quarters of 2015 and 2014, income taxes were calculated based on the EAETR.

We recorded an income tax provision from continuing operations of \$19,867,000 in the second quarter of 2015 compared to an income tax provision from continuing operations of \$17,982,000 in the second quarter of 2014. The change in our income tax provision resulted largely from applying the statutory rate to the increase in our pretax book earnings.

We recorded an income tax provision from continuing operations of \$5,791,000 for the six months ended June 30, 2015 compared to an income tax provision from continuing operations of \$40,882,000 for the six months ended June 30, 2014. The change in our income tax provision for the year resulted largely from applying the statutory rate to the decrease in our pretax book earnings.

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts of assets and liabilities and the amounts used for income tax purposes. Deferred tax assets represent items to be used as a tax deduction or credit in future tax returns. Realization of the deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character in either the carryback or carryforward period.

Each quarter we analyze the likelihood that our deferred tax assets will be realized. A valuation allowance is recorded if, based on the weight of all available positive and negative evidence, it is more likely than not (a likelihood of more than 50%) that some portion, or all, of a deferred tax asset will not be realized.

Based on our second quarter 2015 analysis, we believe it is more likely than not that we will realize the benefit of all our deferred tax assets with the exception of the state net operating loss carryforwards for which a valuation allowance

has been recorded. For 2015, we currently project a valuation allowance of \$60,920,000 against our state net operating loss carryforwards, an increase of \$4,053,000 from the prior year end. This change in the valuation allowance is reflected as a component of our income tax provision.

Of the \$60,920,000 valuation allowance, \$59,781,000 relates to our Alabama net operating loss carryforward. During the second quarter of 2015, we restructured our legal entities. This restructuring, among other expected benefits, may allow for utilization of some or all of our Alabama net operating loss carryforward prior to its expiration. At this time, based on the weight of all available positive and negative evidence, we have concluded that it is more likely than not that the deferred tax asset will not be realized. Each quarter, we will reassess the positive and negative evidence to determine the likelihood of utilizing the Alabama net operating loss carryforward, and therefore, the appropriate amount of the valuation allowance.

We recognize a tax benefit associated with a tax position when, in our judgment, it is more likely than not that the position will be sustained based upon the technical merits of the position. For a tax position that meets the more likely than not recognition threshold, we measure the income tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized. A liability is established for the unrecognized portion of any tax benefit. Our liability for 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.

A summary of our deferred tax assets is included in Note 9 "Income Taxes" in our Annual Report on Form 10-K for the year ended December 31, 2014.

Note 4: deferred revenue

We entered into two transactions (September 2013 and December 2012) through which we sold a percentage of the future production from aggregates reserves at eight quarries (seven owned and one leased). These sales were structured as volumetric production payments (VPPs). We received net cash proceeds of \$153,282,000 and \$73,644,000 for the 2013 and 2012 transactions, respectively. These proceeds were recorded as deferred revenue on the balance sheet and are amortized on a unit-of-sales basis to revenue over the terms of the VPPs. Concurrently, we entered into marketing agreements with the purchaser through which we are designated the exclusive sales agent for the purchaser's percentage of future production. Acting as the purchaser's agent, our consolidated total revenues exclude these sales.

The common key terms of both VPP transactions are:

- § the purchaser has a nonoperating interest in future production entitling them to a percentage of future production
- § there is no minimum annual or cumulative production or sales volume, nor any minimum sales price guarantee
- § the purchaser has the right to take its percentage of future production in physical product, or receive the cash proceeds from the sale of its percentage of future production under the terms of the aforementioned marketing agreement
 - § the purchaser's percentage of future production is conveyed free and clear of all future costs
- § we retain full operational and marketing control of the specified quarries
- § we retain fee simple interest in the land as well as any residual values that may be realized upon the conclusion of mining

The key terms specific to the 2013 VPP transaction are:

- § terminates at the earlier to occur of September 30, 2051 or the sale of 250.8 million tons of aggregates from the specified quarries; based on historical and projected volumes from the specified quarries, it is expected that 250.8 million tons will be sold prior to September 30, 2051
- § the purchaser's percentage of the maximum 250.8 million tons of future production is estimated to be 11.5% (approximately 29 million tons); the actual percentage may vary

The key terms specific to the 2012 VPP transaction are:

- § terminates at the earlier to occur of December 31, 2052 or the sale of 143.2 million tons of aggregates from the specified quarries; based on historical and projected volumes from the specified quarries, it is expected that 143.2 million tons will be sold prior to December 31, 2052
- § the purchaser's percentage of the maximum 143.2 million tons of future production is estimated to be 10.5% (approximately 15 million tons); the actual percentage may vary

Reconciliation of the deferred revenue balances (current and noncurrent) is as follows:

in thousands	Three Months Ended		Six Months Ended	
	June 30	June 30	June 30	June 30
	2015	2014	2015	2014
Deferred Revenue				
Balance at beginning of period	\$ 218,987	\$ 223,946	\$ 219,968	\$ 224,743
Cash received and revenue deferred	0	0	0	187
Amortization of deferred revenue	(1,558)	(1,357)	(2,539)	(2,341)
Balance at end of period	\$ 217,429	\$ 222,589	\$ 217,429	\$ 222,589

Based on expected aggregates sales from the specified quarries, we anticipate recognizing an estimated \$6,000,000 of deferred revenue (reflected in other current liabilities in our 2015 Condensed Consolidated Balance Sheet) during the 12-month period ending June 30, 2016.

Note 5: 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 subject to fair value measurement on a recurring basis are summarized below:

	Level 1		
	June 30	December 31	June 30
in thousands	2015	2014	2014
Fair Value Recurring			
Rabbi Trust			
Mutual funds	\$ 14,488	\$ 15,532	\$ 14,365
Equities	12,274	11,248	14,052
Total	\$ 26,762	\$ 26,780	\$ 28,417

	Level 2		
	June 30	December 31	June 30
in thousands	2015	2014	2014
Fair Value Recurring			
Rabbi Trust			
Common/collective trust funds	\$ 1,355	\$ 1,415	\$ 1,349
Total	\$ 1,355	\$ 1,415	\$ 1,349

We have established two Rabbi Trusts for the purpose of providing a level of security for the employee nonqualified retirement and deferred compensation plans and for the directors' nonqualified deferred compensation plans. The fair values of these 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. Level 2 investments are stated at estimated fair value based on the underlying investments in those funds (short-term, highly liquid assets in commercial paper, short-term bonds and certificates of deposit).

Net trading gains of the Rabbi Trust investments were \$184,000 and \$3,428,000 for the six months ended June 30, 2015 and 2014, respectively. The portions of the net trading gains related to investments still held by the Rabbi Trusts at June 30, 2015 and 2014 were \$22,000 and \$1,480,000, respectively.

The carrying values of our cash equivalents, restricted cash, accounts and notes receivable, short-term debt, trade payables and accruals, and other current liabilities 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 7, respectively.

Assets that were subject to fair value measurement on a nonrecurring basis are summarized below:

in thousands	Period ending June 30, 2015		Period ending June 30, 2014	
	Level 2	Impairment Charges	Level 2	Impairment Charges
Fair Value Nonrecurring				
Property, plant & equipment, net	\$ 0	\$ 2,176	\$ 2,280	\$ 2,987
Other intangible assets, net	0	2,858	0	0
Other assets	0	156	0	0
Total	\$ 0	\$ 5,190	\$ 2,280	\$ 2,987

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We recorded \$5,190,000 and \$2,987,000 of losses on impairment of long-lived assets for the six months ended June 30, 2015 and 2014, respectively, reducing the carrying value of these assets to their estimated fair values of \$0 and \$2,280,000. Fair value was estimated using a market approach (observed transactions involving comparable assets in similar locations).

Note 6: Derivative Instruments

During the normal course of operations, we are exposed to market risks including fluctuations in interest rates, foreign currency exchange rates and 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 accounting for gains and losses that result from changes in the fair value of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationship. The interest rate swap agreements described below were designated as either cash flow hedges or fair value hedges. The changes in fair value of our interest rate swap cash flow hedges are recorded in accumulated other comprehensive income (AOCI) and are reclassified into interest expense in the same period the hedged items affect earnings. The changes in fair value of our interest rate swap fair value hedges are recorded as interest expense consistent with the change in the fair value of the hedged items attributable to the risk being hedged.

CASH FLOW HEDGES

We have used interest rate swap agreements designated as cash flow hedges to minimize the variability in cash flows of liabilities or forecasted transactions caused by fluctuations in interest rates. During 2007, we entered into fifteen forward starting interest rate swap agreements for a total stated amount of \$1,500,000,000. Upon the 2007 and 2008 issuances of the related fixed-rate debt, we terminated and settled these forward starting swaps for cash payments of \$89,777,000. Amounts in AOCI are being amortized to interest expense over the term of the related debt. This amortization was reflected in the accompanying Condensed Consolidated Statements of Comprehensive Income as follows:

		Three Months Ended		Six Months Ended	
	Location on	June 30		June 30	
in thousands	Statement	2015	2014	2015	2014

Cash Flow Hedges

Loss reclassified from AOCI (effective portion)	Interest expense	\$	(5,094)	\$	(969)	\$	(8,815)	\$	(5,903)
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The loss reclassified from AOCI for the six months ended June 30, 2015 and 2014 includes the acceleration of a proportional amount of the deferred loss in the amount of \$7,208,000 and \$3,762,000, respectively, referable to the debt purchases as disclosed in Note 7.

For the 12-month period ending June 30, 2016, we estimate that \$2,008,000 of the pretax loss in AOCI will be reclassified to earnings.

FAIR VALUE HEDGES

We have used interest rate swap agreements designated as fair value hedges to minimize exposure to changes in the fair value of fixed-rate debt that results from fluctuations in the benchmark interest rates for such debt. In June 2011, we issued \$500,000,000 of 6.50% fixed-rate notes due in 2016. Concurrently, we entered into interest rate swap agreements in the stated amount of \$500,000,000. Under these agreements, we paid 6-month London Interbank Offered Rate (LIBOR) plus a spread of 4.05% and received a fixed interest rate of 6.50%. Additionally, in June 2011, we entered into interest rate swap agreements on our \$150,000,000 10.125% fixed-rate notes due in 2015. Under these agreements, we paid 6-month LIBOR plus a spread of 8.03% and received a fixed interest rate of 10.125%. In August 2011, we terminated and settled these interest rate swap agreements for \$25,382,000 of cash proceeds. The \$23,387,000 forward component of the settlement (cash proceeds less \$1,995,000 of accrued interest) was added to the carrying value of the related debt and is being amortized as a reduction to interest expense over the remaining lives of the related debt using the effective interest method.

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This amortization was reflected in the accompanying Condensed Consolidated Statements of Comprehensive Income as follows:

in thousands	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
Deferred Gain on Settlement Amortized to earnings as a reduction to interest expense	\$ 2,000	\$ 484	\$ 2,513	\$ 9,678

The amortized deferred gain for the six months ended June 30, 2015 and 2014 includes the acceleration of a proportional amount of the deferred gain in the amount of \$1,642,000 and \$8,032,000, respectively, referable to the debt purchases as disclosed in Note 7.

Note 7: Debt

Debt is summarized as follows:

in thousands	Effective Interest Rate	June 30	December 31	June 30
		2015	2014	2014
Short-term Debt				
Bank line of credit (expires 2020) 1	1.75%	\$ 138,500	\$ 0	\$ 0

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Total short-term debt		\$ 138,500	\$ 0	\$ 0
Long-term Debt				
10.125% notes due 2015 2	9.575%	\$ 150,000	\$ 150,000	\$ 150,000
6.50% notes due 2016	n/a	0	125,001	125,001
6.40% notes due 2017	n/a	0	218,633	218,633
7.00% notes due 2018	7.87%	272,512	400,000	400,000
10.375% notes due 2018	10.625%	250,000	250,000	250,000
7.50% notes due 2021	7.75%	600,000	600,000	600,000
8.85% notes due 2021	8.88%	6,000	6,000	6,000
Industrial revenue bond due 2022 3	0.14%	14,000	14,000	14,000
4.50% notes due 2025	4.65%	400,000	0	0
7.15% notes due 2037	8.05%	240,188	240,188	240,188
Other notes 4	6.21%	613	637	769
Unamortized discounts and debt issuance costs	n/a	(25,975)	(22,716)	(25,146)
Unamortized deferred interest rate swap gain 5	n/a	523	3,036	4,032
Total long-term debt including current maturities 6		\$ 1,907,861	\$ 1,984,779	\$ 1,983,477
Less current maturities		14,124	150,137	158
Total long-term debt		\$ 1,893,737	\$ 1,834,642	\$ 1,983,319

Estimated fair value of long-term debt	\$ 2,140,942	\$ 2,092,673	\$ 2,289,118
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- 1 Borrowings are shown as short-term due to our intent to repay within twelve months. The effective interest rate reflects the margin added to LIBOR for LIBOR-based borrowings. We also pay fees for unused borrowing capacity and standby letters of credit.
- 2 The 10.125% notes due 2015 are classified as long-term debt (not current maturities) as of June 30, 2015 due to our intent and ability to refinance these notes at maturity using our line of credit.
- 3 As of June 30, 2015, we had initiated prepayment; as such, this debt is classified as current maturities of long-term debt.
- 4 Non-publicly traded debt.
- 5 The unamortized deferred gain was realized upon the August 2011 settlement of interest rate swaps as discussed in Note 6.
- 6 The debt balances as of December 31, 2014 and June 30, 2014 have been adjusted to reflect our early adoption of ASU 2015-03 and related election as disclosed in Note 17.

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Our total debt is presented in the table above net of unamortized discounts from par, unamortized deferred debt issuance costs and unamortized deferred interest rate swap settlement gains from fair value hedges. Discounts, deferred debt issuance costs and deferred swap settlement gains are amortized using the effective interest method over the terms of the respective notes resulting in \$2,067,000 of net interest expense for these items for the six months ended June 30, 2015.

The estimated fair value of our debt presented in the table above was determined by: (1) averaging several asking price quotes for the publicly traded notes and (2) assuming par value for the remainder of the debt. The fair value estimates for the publicly traded notes were based on Level 2 information (as defined in Note 5) as of their respective balance sheet dates.

LINE OF CREDIT

In June 2015, we cancelled our secured \$500,000,000 line of credit and entered into an unsecured \$750,000,000 line of credit that expires in June 2020.

The line of credit contains affirmative, negative and financial covenants customary for an unsecured facility. The primary negative covenant limits our ability to incur secured debt. The financial covenants are: (1) a maximum ratio of debt to EBITDA of 3.5:1 through September 2016 and 3.25:1 thereafter, and (2) a minimum ratio of EBITDA to net cash interest expense of 3.0:1. As of June 30, 2015, we were in compliance with the line of credit covenants.

Borrowings bear interest at either LIBOR plus a credit margin ranging from 1.00% to 2.00%, or SunTrust Bank's base rate (generally, its prime rate) plus a credit margin ranging from 0.00% to 1.00%. The credit margin for both LIBOR and base rate borrowings is determined by our ratio of debt to EBITDA. Standby letters of credit, which are issued under the line of credit and reduce availability, are charged a fee equal to the credit margin for LIBOR borrowings plus 0.175%. We also pay a commitment fee on the daily average unused amount of the line of credit that ranges from 0.10% to 0.35% based on our ratio of debt to EBITDA. As of June 30, 2015, the credit margin for LIBOR borrowings was 1.75%, the credit margin for base rate borrowings was 0.75% and the commitment fee was 0.25%.

As of June 30, 2015, our available borrowing capacity was \$558,281,000 and usage was as follows:

§ \$138,500,000 was borrowed

§ \$53,219,000 was used to provide support for outstanding standby letters of credit

The current borrowings on our line of credit are shown as short-term due to our intent to repay within twelve months.

TERM DEBT

All of our term debt is unsecured. All such debt, other than the \$14,000,000 industrial revenue bond and the \$613,000 of other notes, is governed by two essentially identical indentures that contain customary investment-grade type covenants. The primary covenant in both indentures limits the amount of secured debt we may incur without ratably securing such debt. As of June 30, 2015, we were in compliance with all of the term debt covenants.

The industrial revenue bond is supported by a standby letter of credit issued under our line of credit. As such, the primary covenants pertaining to the industrial revenue bond are those contained in our line of credit agreement. In June 2015 we issued a notice of our intent to repay the debt in August 2015 (such repayment will not incur any prepayment penalties). As such, the industrial revenue bond is classified as current maturities of long-term debt in the accompanying Condensed Consolidated Balance Sheet as of June 30, 2015.

In March 2015, we issued \$400,000,000 of 4.50% senior notes due 2025. Proceeds (net of underwriter fees and other transaction costs) of \$395,207,000 were partially used to fund the March 30, 2015 purchase, via tender offer, of \$127,303,000 principal amount (32%) of the 7.00% notes due 2018. The March 2015 debt purchase cost \$145,899,000, including an \$18,140,000 premium above the principal amount of the notes and transaction costs of \$456,000. The premium primarily reflects the trading price of the notes relative to par prior to the tender offer commencement. Additionally, we recognized \$3,138,000 of non-cash costs associated with the acceleration of a proportional amount of unamortized discounts, deferred debt issuance costs, and deferred interest rate swap settlement gains and losses. The combined first quarter charge of \$21,734,000 is presented in the accompanying Condensed Consolidated Statement of Comprehensive Income as a component of interest expense for the six month period ended June 30, 2015.

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The remaining net proceeds from the March 2015 debt issuance, together with cash on hand and borrowings under our line of credit, funded: (1) the April 2015 redemption of \$218,633,000 principal amount (100%) of the 6.40% notes due 2017, (2) the April 2015 redemption of \$125,001,000 principal amount (100%) of the 6.50% notes due 2016 and (3) the April 2015 purchase, via the tender offer commenced in March 2015 of \$185,000 principal amount (less than 1%) of the 7.00% notes due 2018. The April 2015 debt purchases cost \$385,024,000, including a \$41,153,000 premium above the principal amount of the notes and transaction costs of \$52,000. The premium primarily reflects the make-whole value of the 2016 notes and the 2017 notes. Additionally, we recognized \$4,136,000 of non-cash costs associated with the acceleration of unamortized discounts, deferred debt issuance costs, and deferred interest rate swap settlement gains and losses. The combined second quarter charge of \$45,341,000 is presented in the accompanying Condensed Consolidated Statement of Comprehensive Income as a component of interest expense for the six month period ended June 30, 2015.

Consistent with our intent and ability to refinance the 10.125% notes due 2015 via borrowing on our line of credit, such notes are classified as long-term debt in the accompanying Condensed Consolidated Balance Sheet as of June 30, 2015.

In March 2014, we purchased \$506,366,000 principal amount of debt through a tender offer as follows: \$374,999,000 of 6.50% notes due in 2016 and \$131,367,000 of 6.40% notes due in 2017. This debt purchase was funded by the sale of our cement and concrete businesses in the Florida area as described in Note 16. The March 2014 debt purchases cost \$579,659,000, including a \$71,829,000 premium above the principal amount of the notes and transaction costs of \$1,464,000. The premium primarily reflects the trading price of the notes relative to par prior to the tender offer commencement. Additionally, we recognized a net benefit of \$344,000 associated with the acceleration of a proportional amount of unamortized discounts, deferred debt issuance costs, and deferred interest rate swap settlement gains and losses. The combined charge of \$72,949,000 is presented in the accompanying Condensed Consolidated Statement of Comprehensive Income as a component of interest expense for the six month period ended June 30, 2014.

Note 8: Commitments and Contingencies

STANDBY LETTERS OF CREDIT

We provide, in the normal course of business, certain third party beneficiaries standby letters of credit to support our obligations to pay or perform according to the requirements of an underlying agreement. Such letters of credit typically have an initial term of one year, typically renew automatically, and can only be modified or cancelled with the approval of the beneficiary. All of our standby letters of credit are issued by banks that participate in our \$750,000,000 line of credit, and reduce the borrowing capacity thereunder. Our standby letters of credit as of June 30, 2015 are summarized by purpose in the table below:

in thousands

Standby Letters of Credit	
Risk management insurance	\$ 33,111
Industrial revenue bond	14,230
Reclamation/restoration requirements	5,878
Total	\$ 53,219

LITIGATION AND ENVIRONMENTAL MATTERS

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 material legal proceedings are more specifically described below.

§ Lower Passaic River Study Area (Superfund Site) — The Lower Passaic River Study Area is part of the Diamond Shamrock Superfund Site in New Jersey. Vulcan and approximately 70 other companies are parties (collectively the “Cooperating Parties Group”) to a May 2007 Administrative Order on Consent (AOC) with the U.S. Environmental Protection Agency (EPA) to perform a Remedial Investigation/Feasibility Study (RI/FS) of the lower 17 miles of the Passaic River (River). On April 11, 2014, the EPA issued a proposed Focused Feasibility Study (FFS) that calls for a bank-to-bank dredging remedy for the lower 8 miles of the River. The EPA estimates that the cost of implementing this proposal is approximately \$950 million to \$1.73 billion. The period for public comment on the proposed FFS is closed and it is anticipated that the EPA will issue its final record of decision sometime in 2015. The Cooperating Parties Group RI/FS estimates the preferred remedial action presented therein to cost in the range of approximately \$475 million to \$725 million (including \$93 million in operations and maintenance costs for a 30 year period).

The AOC does not obligate us to fund or perform the remedial action contemplated by either the RI/FS or the FFS. Vulcan formerly owned a chemicals operation near River Mile 0.1, which was sold in 1974. The Company has found no evidence that its former chemicals operation contributed any of the primary contaminants of concern to the River.

Neither the ultimate remedial approach, nor the parties who will participate in funding the remediation and their respective allocations, have been determined. However, we recorded an immaterial loss for this matter in the first quarter of 2015 based on the cost estimate of the preferred remedial action supported by the Cooperating Parties Group’s RI/FS.

§ TEXAS BRINE MATTER — During the operation of its former Chemicals Division, Vulcan was the lessee to a salt lease from 1976 – 2005 in an underground salt dome formation in Assumption Parish, Louisiana. The Texas Brine Company (Texas Brine) operated this salt mine for the account of Vulcan. Vulcan sold its Chemicals Division in 2005 and assigned the lease to the purchaser, and Vulcan has had no association with the leased premises or Texas Brine since that time. In August 2012, a sinkhole developed near the salt dome and numerous lawsuits were filed in state court in Assumption Parish, Louisiana. Other lawsuits, including class action litigation, were also filed in August 2012 in federal court in the Eastern District of Louisiana in New Orleans.

There are numerous defendants to the litigation in state and federal court. Vulcan was first brought into the litigation as a third-party defendant in August 2013 by Texas Brine. Vulcan has since been added as a direct and third-party defendant by other parties, including a direct claim by the state of Louisiana. The damages alleged in the litigation range from individual plaintiffs’ claims for property damage, to the state of Louisiana’s claim for response costs, to claims for physical damages to oil pipelines, to business interruption claims. In addition to the plaintiffs’ claims, Vulcan has also been sued for contractual indemnity and comparative fault by both Texas Brine and Occidental Chemical Co. (Occidental). The total amount of damages claimed is in excess of \$500 million. It is alleged that the sinkhole was caused, in whole or in part, by Vulcan’s negligent actions or failure to act. It is also alleged that Vulcan breached the salt lease, as well as an operating agreement and a drilling agreement with Texas Brine; and that Vulcan is strictly liable for certain property damages in its capacity as a former assignee of the salt lease; and that Vulcan violated certain covenants and conditions in the agreement under which it sold its Chemicals Division in 2005. Vulcan has made claims for contractual indemnity, comparative fault, and breach of contract against Texas Brine, as well as claims for contractual indemnity and comparative fault against Occidental. Discovery is ongoing and the first trial date in any of these cases has been set for April 2016. At this time, we cannot reasonably estimate a range of liability pertaining to this matter.

§ HEWITT LANDFILL MATTER — Vulcan is engaged in an ongoing dialogue with the U.S. Environmental Protection Agency, the Los Angeles Department of Water and Power, and other stakeholders regarding groundwater contamination in the San Fernando Valley in California. Vulcan’s former Hewitt Landfill in Los Angeles is within one of the areas of concern. We are gathering and analyzing data and developing groundwater models and other technical information to determine the extent of possible contribution by the Hewitt Landfill to the groundwater contamination in the area. This work is also intended to assist in identification of other sources of contamination. At this time, we cannot reasonably estimate a range of liability pertaining to this matter.

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, or the verdict of a particular jury, could cause actual losses to differ materially from accrued costs. 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. Legal costs incurred in defense of lawsuits are expensed as incurred. 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 9: Asset Retirement Obligations

Asset retirement obligations (AROs) 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 ARO 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 ARO is settled for other than the carrying amount of the liability, we recognize a gain or loss on settlement.

We record all AROs for which we have legal obligations for land reclamation at estimated fair value. Essentially all these AROs 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 ARO operating costs related to accretion of the liabilities and depreciation of the assets as follows:

in thousands	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
ARO Operating Costs				
Accretion	\$ 2,936	\$ 2,913	\$ 5,787	\$ 5,852
Depreciation	1,568	983	3,001	1,980
Total	\$ 4,504	\$ 3,896	\$ 8,788	\$ 7,832

ARO operating costs are reported in cost of revenues. AROs are reported within other noncurrent liabilities in our accompanying Condensed Consolidated Balance Sheets.

Reconciliations of the carrying amounts of our AROs are as follows:

Three Months Ended	Six Months Ended
June 30	June 30

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in thousands	2015	2014	2015	2014
Asset Retirement Obligations				
Balance at beginning of period	\$ 238,689	\$ 225,831	\$ 226,565	\$ 228,234
Liabilities incurred	4,339	0	6,159	0
Liabilities settled	(1,270)	(7,593)	(8,000)	(12,843)
Accretion expense	2,936	2,913	5,787	5,852
Revisions up (down), net	(9,775)	3,966	4,408	3,874
Balance at end of period	\$ 234,919	\$ 225,117	\$ 234,919	\$ 225,117

The 2015 revisions relate to revised cost estimates and spending patterns for several quarries located primarily in California.

Note 10: Benefit Plans

We sponsor three funded, noncontributory defined benefit pension plans. These plans cover substantially all employees hired prior to July 15, 2007, other than those covered by union-administered plans. Normal retirement age is 65, but the plans contain provisions for earlier retirement. Benefits for the Salaried Plan and the Chemicals Hourly Plan are generally based on salaries or wages and years of service; the Construction Materials Hourly Plan provides benefits equal to a flat dollar amount for each year of service. In addition to these qualified plans, we sponsor three unfunded, nonqualified pension plans.

Effective July 15, 2007, we amended our defined benefit pension plans to no longer accept new participants. In December 2013, we amended our defined benefit pension plans so that future service accruals for salaried pension participants ceased effective December 31, 2013. This change included a special transition provision which will allow covered compensation through December 31, 2015 to be considered in the participants' benefit calculations.

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The following table sets forth the components of net periodic pension benefit cost:

PENSION BENEFITS in thousands	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
Components of Net Periodic Benefit Cost				
Service cost	\$ 1,212	\$ 1,040	\$ 2,425	\$ 2,079
Interest cost	11,036	11,098	22,073	22,196
Expected return on plan assets	(13,684)	(12,700)	(27,368)	(25,401)
Amortization of prior service cost	12	47	24	94
Amortization of actuarial loss	5,455	2,805	10,909	5,610
Net periodic pension benefit cost	\$ 4,031	\$ 2,290	\$ 8,063	\$ 4,578
Pretax reclassification from AOCI included in net periodic pension benefit cost	\$ 5,467	\$ 2,852	\$ 10,933	\$ 5,704

Prior contributions, along with the existing funding credits, are sufficient to cover required contributions to the qualified plans through 2015.

In addition to pension benefits, we provide certain healthcare and life insurance benefits for some retired employees. In 2012, we amended our postretirement healthcare plan to cap our portion of the medical coverage cost at the 2015 level. Substantially all our salaried employees and where applicable, hourly employees may become eligible for these benefits if they reach a qualifying age and meet certain service requirements. Generally, Company-provided healthcare benefits terminate when covered individuals become eligible for Medicare benefits, become eligible for other group insurance coverage or reach age 65, whichever occurs first.

The March 2014 sale of our cement and concrete businesses in the Florida area (see Note 16) significantly reduced total expected future service of our postretirement plans resulting in a one-time curtailment gain of \$3,832,000. This gain was reflected within gain on sale of property, plant & equipment, net in our accompanying Condensed Consolidated Statement of Comprehensive Income for the six months ended June 30, 2014.

The following table sets forth the components of net periodic postretirement benefit cost:

OTHER POSTRETIREMENT BENEFITS	Three Months Ended June 30	Six Months Ended June 30
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in thousands	2015	2014	2015	2014
Components of Net Periodic Benefit Cost				
Service cost	\$ 474	\$ 537	\$ 947	\$ 1,073
Interest cost	626	825	1,243	1,649
Curtailment gain	0	0	0	(3,832)
Amortization of prior service credit	(1,058)	(1,082)	(2,116)	(2,164)
Amortization of actuarial loss	23	56	19	113
Net periodic postretirement benefit cost (credit)	\$ 65	\$ 336	\$ 93	\$ (3,161)
Pretax reclassification from AOCI included in net periodic postretirement benefit credit	\$ (1,035)	\$ (1,026)	\$ (2,097)	\$ (5,883)

The reclassifications from AOCI noted in the tables above are related to curtailment gains, amortization of prior service costs or credits and actuarial losses as shown in Note 11.

Note 11: other Comprehensive Income

Comprehensive income comprises two subsets: net earnings and other comprehensive income (OCI). The components of other comprehensive income are presented in the accompanying Condensed Consolidated Statements of Comprehensive Income, net of applicable taxes.

Amounts in accumulated other comprehensive income (AOCI), net of tax, are as follows:

	June 30	December 31	June 30
in thousands	2015	2014	2014
AOCI			
Cash flow hedges	\$ (14,997)	\$ (20,322)	\$ (21,609)
Pension and postretirement benefit plans	(136,014)	(141,392)	(71,618)
Total	\$ (151,011)	\$ (161,714)	\$ (93,227)

Changes in AOCI, net of tax, for the six months ended June 30, 2015 are as follows:

	Cash Flow Hedges	Pension and Postretirement Benefit Plans	Total
in thousands			
AOCI			
Balance as of December 31, 2014	\$ (20,322)	\$ (141,392)	\$ (161,714)
Other comprehensive income before reclassifications	0	0	0
Amounts reclassified from	5,325	5,378	10,703

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AOCI			
Net current			
period OCI			
changes	5,325	5,378	10,703
Balance as of			
June 30, 2015	\$ (14,997)	\$ (136,014)	\$ (151,011)

Amounts reclassified from AOCI to earnings, are as follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
in thousands	2015	2014	2015	2014
Reclassification				
Adjustment for				
Cash Flow				
Hedge Losses				
Interest expense	\$ 5,094	\$ 969	\$ 8,815	\$ 5,903
Benefit from				
income taxes	(2,017)	(385)	(3,490)	(2,334)
Total	\$ 3,077	\$ 584	\$ 5,325	\$ 3,569
Amortization of				
Pension and				
Postretirement				
Plan Actuarial				
Loss and Prior				
Service Cost				
Cost of revenues	\$ 3,643	\$ 1,445	\$ 7,175	\$ (141)
Selling,				
administrative				
and general				
expenses	788	382	1,660	(36)
(Benefit from)				
provision for				
income taxes	(1,734)	(712)	(3,457)	69
Total 1	\$ 2,697	\$ 1,115	\$ 5,378	\$ (108)
Total				
reclassifications				
from AOCI to				
earnings	\$ 5,774	\$ 1,699	\$ 10,703	\$ 3,461

1 Six months ended June 30, 2014 includes a one-time curtailment gain (see Note 10) resulting from the sale of our cement and concrete businesses in the Florida area (see Note 16).

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Note 12: Equity

Our capital stock consists solely of common stock, par value \$1.00 per share. Holders of our common stock are entitled to one vote per share. Our Certificate of Incorporation also authorizes preferred stock of which no shares have been issued. The terms and provisions of such shares will be determined by our Board of Directors upon any issuance of preferred shares in accordance with our Certificate of Incorporation.

Under a program that was discontinued in the fourth quarter of 2014, we occasionally sold shares of common stock to the trustee of our 401(k) retirement plans to satisfy the plan participants' elections to invest in our common stock. Under this arrangement, the stock issuances and resulting cash proceeds were as follows:

§ twelve months ended December 31, 2014 — issued 485,306 shares for cash proceeds of \$30,620,000

§ six months ended June 30, 2014 — issued 435,655 shares for cash proceeds of \$27,539,000

Changes in total equity for the six months ended June 30, 2015 are summarized below:

in thousands	Total Equity
Balance at December 31, 2014	\$ 4,176,699
Net earnings	8,484
Common stock issued	
Share-based compensation plans	36,485
Share-based compensation expense	9,679
Excess tax benefits from share-based compensation	11,457
Cash dividends on common stock (\$0.20 per share)	(26,549)

Other comprehensive income	10,703
Other	(1)
Balance at June 30, 2015	\$ 4,226,957

There were no shares held in treasury as of June 30, 2015, December 31, 2014 and June 30, 2014. As of June 30, 2015, 3,411,416 shares may be repurchased under the current purchase authorization of our Board of Directors.

Note 13: Segment Reporting

We have four operating (and reportable) segments organized around our principal product lines: Aggregates, Asphalt Mix, Concrete and Calcium. The vast majority of our activities are domestic. We sell a relatively small amount of construction aggregates outside the United States. Intersegment sales are made at local market prices for the particular grade and quality of product utilized in the production of asphalt mix and ready-mixed concrete. Management reviews earnings from the product line reporting segments principally at the gross profit level.

segment financial disclosure

	Three Months Ended		Six Months Ended	
	June 30		June 30	
in millions	2015	2014	2015	2014
Total				
Revenues				
Aggregates 1	\$ 733.4	\$ 628.9	\$ 1,236.9	\$ 1,057.6
Asphalt Mix				
2	129.0	109.3	232.1	193.6
Concrete 2, 3	78.6	93.8	138.4	189.8
Calcium 4	2.4	2.2	4.2	20.3
Segment sales	943.4	834.2	1,611.6	1,461.3
Aggregates intersegment sales	(48.3)	(43.1)	(85.2)	(86.5)
Calcium intersegment sales	0.0	0.0	0.0	(9.2)
Total revenues	\$ 895.1	\$ 791.1	\$ 1,526.4	\$ 1,365.6
Gross Profit				
Aggregates	\$ 207.3	\$ 161.7	\$ 275.0	\$ 200.2
Asphalt Mix				
2	21.1	9.0	29.9	13.7
Concrete 2, 3	4.9	3.2	5.7	(6.0)
Calcium 4	1.1	0.9	1.7	1.0
Total	\$ 234.4	\$ 174.8	\$ 312.3	\$ 208.9
Depreciation, Depletion, Accretion				

and Amortization (DDA&A)					
Aggregates	\$ 57.0	\$ 56.3	\$ 112.5	\$ 111.0	
Asphalt Mix					
2	4.1	2.4	8.0	4.8	
Concrete 2, 3	2.8	4.8	5.5	10.8	
Calcium 4	0.2	0.2	0.3	1.2	
Other	4.3	4.6	8.8	9.9	
Total	\$ 68.4	\$ 68.3	\$ 135.1	\$ 137.7	
Identifiable Assets 5					
Aggregates			\$ 7,497.2	\$ 7,126.4	
Asphalt Mix					
2			319.3	224.9	
Concrete 2, 3			185.5	238.7	
Calcium 4			5.5	6.0	
Total identifiable assets			\$ 8,007.5	\$ 7,596.0	
General corporate assets			113.7	87.1	
Cash items			74.7	227.7	
Total			\$ 8,195.9	\$ 7,910.8	

1 Includes crushed stone, sand and gravel, sand, other aggregates, as well as freight, delivery and transportation revenues, and other revenues related to services.

2 In January 2015, we exchanged our California ready-mixed concrete operations for 13 asphalt mix plants, primarily in Arizona (see Note 16).

3 Includes ready-mixed concrete. In March 2014, we sold our concrete business in the Florida area (see Note 16) which in addition to ready-mixed concrete, included concrete block, precast concrete, as well as building materials purchased for resale.

4 Includes cement and calcium products. In March 2014, we sold our cement business (see Note 16).

5 Certain temporarily idled assets are included within a segment's Identifiable Assets but the associated DDA&A is shown within Other in the DDA&A section above as the related DDA&A is excluded from segment gross profit.

Note 14: Supplemental Cash Flow Information

Supplemental information referable to our Condensed Consolidated Statements of Cash Flows is summarized below:

in thousands	Six Months Ended	
	June 30	
	2015	2014
Cash Payments		
Interest (exclusive of amount capitalized)	\$ 134,215	\$ 162,110
Income taxes	31,755	13,867
Noncash Investing and Financing Activities		
Accrued liabilities for purchases of property, plant & equipment	\$ 13,651	\$ 12,482
Amounts referable to business acquisitions		
Liabilities assumed	2,426	755
Fair value of noncash assets and liabilities exchanged	20,000	0
Fair value of equity consideration	0	1,094

Note 15: Goodwill

Goodwill is recognized when the consideration paid for a business exceeds the fair value of the tangible and identifiable intangible assets acquired. Goodwill is allocated to reporting units for purposes of testing goodwill for impairment. There were no charges for goodwill impairment in the six month periods ended June 30, 2015 and 2014.

We have four reportable segments organized around our principal product lines: Aggregates, Asphalt Mix, Concrete and Calcium. The changes in the carrying amount of goodwill by reportable segment from December 31, 2014 to June 30, 2015 as summarized below:

GOODWILL

Aggregates	Asphalt Mix	Concrete	Calcium	Total
------------	-------------	----------	---------	-------

in thousands						
Goodwill						
Total as of						
December						
31, 2014	\$ 3,003,191	\$ 91,633	\$ 0	\$ 0	\$ 3,094,824	
Goodwill						
of acquired						
businesses	0	0	0	0	0	
Goodwill						
of divested						
businesses	0	0	0	0	0	
Total as of						
June 30,						
2015	\$ 3,003,191	\$ 91,633	\$ 0	\$ 0	\$ 3,094,824	

We test goodwill for impairment on an annual basis or more frequently if events or circumstances change in a manner that would more likely than not reduce the fair value of a reporting unit below its carrying value. A decrease in the estimated fair value of one or more of our reporting units could result in the recognition of a material, noncash write-down of goodwill.

Note 16: Acquisitions and Divestitures

ACQUISITIONS

Through the six months ended June 30, 2015, we purchased the following for \$41,387,000 of consideration (\$21,387,000 cash and \$20,000,000 exchanges of real property and businesses (twelve California ready-mixed concrete operations)):

- § three aggregates facilities and seven ready-mixed concrete operations in Arizona and New Mexico
- § thirteen asphalt mix plants, primarily in Arizona

As a result, we recognized \$16,543,000 of amortizable intangible assets (contractual rights in place). The contractual rights in place will be amortized against earnings (\$7,168,000 - straight-line over 20 years and \$9,375,000 - units of production over an estimated 50 years) and deductible for income tax purposes over 15 years. The purchase price allocation is preliminary pending appraisals of contractual rights in place and property, plant & equipment.

For the full year 2014, we purchased the following for total consideration of \$331,836,000 (\$284,237,000 cash; \$2,414,000 exchanges of real property and businesses; and \$45,185,000 Vulcan Materials Company common stock (715,004 shares)):

- § two portable asphalt plants and an aggregates facility in southern California
- § five aggregates facilities and associated downstream assets in Arizona and New Mexico
- § two aggregates facilities in Delaware, serving northern Virginia and Washington, D.C.
- § four aggregates facilities in the San Francisco Bay Area
- § a rail-connected aggregates operation and two distribution yards that serve the greater Dallas/Fort Worth market
- § a permitted aggregates quarry in Alabama

DIVESTITURES AND PENDING DIVESTITURES

As noted above, in the first quarter of 2015, we exchanged twelve ready-mixed concrete operations in California (representing all of our California concrete operations) for thirteen asphalt mix plants (primarily in Arizona) resulting in a pretax gain of \$5,886,000.

For the full year 2014, we sold:

- § First quarter — our cement and concrete businesses in the Florida area for net pretax cash proceeds of \$721,359,000 resulting in a pretax gain of \$227,910,000. We retained all of our Florida aggregates operations, our former Cement segment's calcium operation in Brooksville, Florida and real estate associated with certain former ready-mixed concrete facilities. Under a separate supply agreement, we will continue to provide aggregates to the divested concrete facilities, at market prices, for a period of 20 years. As a result of the continuing cash flows (generated via the supply agreement and the retained operation and assets), the disposition is not reported as discontinued operations
- § First quarter — a previously mined and subsequently reclaimed tract of land in Maryland (Aggregates segment) for net pretax cash proceeds of \$10,727,000 resulting in a pretax gain of \$168,000
- § First quarter — unimproved land in Tennessee previously containing a sales yard (Aggregates segment) for net pretax cash proceeds of \$5,820,000 resulting in a pretax gain of \$5,790,000

Effective land management is both a business strategy and a social responsibility. We strive to achieve value through our mining activities as well as incremental value through effective post-mining land management. Our land management strategy includes routinely reclaiming and selling our previously mined land. Additionally, this strategy includes developing conservation banks by preserving land as a suitable habitat for endangered or sensitive species. These conservation banks have received approval from the United States Fish and Wildlife Service to offer mitigation credits for sale to third parties who may be required to compensate for the loss of habitats of endangered or sensitive species.

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No assets met the criteria for held for sale at June 30, 2015 or 2014. As of December 31, 2014, twelve ready-mixed concrete facilities in California are presented in the accompanying Condensed Consolidated Balance Sheet as assets held for sale and liabilities of assets held for sale. During the first quarter of 2015, we swapped these ready mixed concrete facilities for thirteen asphalt mix operations, primarily in Arizona (as noted above). The major classes of assets and liabilities of assets classified as held for sale are as follows:

in thousands	June 30 2015	December 31 2014	June 30 2014
Held for Sale			
Current assets	\$ 0	\$ 1,773	\$ 0
Property, plant & equipment, net	0	12,764	0
Other intangible assets, net	0	647	0
Total assets held for sale	\$ 0	\$ 15,184	\$ 0
Asset retirement obligations	\$ 0	\$ 520	\$ 0
Total liabilities of assets held for sale	\$ 0	\$ 520	\$ 0

Note 17: New Accounting Standards

ACCOUNTING STANDARDS RECENTLY ADOPTED

DEBT ISSUANCE COSTS As of and for the interim period ended June 30, 2015, we early adopted Accounting Standards Update (ASU) 2015-03, "Simplifying the Presentation of Debt Issuance Costs." Under ASU 2015-03, debt issuance costs related to a note are presented in the balance sheet as a deduction from the related debt liability rather than as a prepaid expense (the amortization of such costs continues to be reported as interest expense). However, this ASU did not address the balance sheet presentation of debt issuance cost: (1) incurred before a debt liability is recognized or (2) associated with revolving debt arrangements, such as our line of credit. Accordingly, we elected an accounting policy to present these debt issuance costs as a deduction from the total debt liability. This ASU and related election are retrospectively applied to the beginning of the earliest period presented in the financial statements. As a result of the retrospective application of this change in accounting principle, we adjusted our Condensed Consolidated Balance Sheets for all prior periods presented. Debt issuance costs of \$20,805,000 and \$23,060,000 previously reported as other noncurrent assets on the Condensed Consolidated Balance Sheets as of December 31, 2014 and June 30, 2014, respectively, have been reclassified as a deduction from the principal amount of the total debt liability.

SHARE-BASED AWARDS As of and for the interim period ended March 31, 2015, we adopted ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be

Achieved After the Requisite Service Period.” This ASU clarified the proper method of accounting for share-based awards when the terms of an award provide that a performance target could be achieved after the requisite service period. Under prior guidance, there was a lack of consistency in the measurement of the grant-date fair values of awards with these types of performance targets. Under ASU 2014-12, a performance target that affects vesting and could be achieved after completion of the service period should be treated as a performance condition and, as a result, should not be included in the estimation of the grant-date fair value. Rather, an entity should recognize compensation cost for the award when it becomes probable that the performance target will be achieved. Previously, we accounted for share-based awards with these types of performance targets in accordance with ASU 2014-12. Our adoption of this standard had no material impact on our financial position, results of operations or liquidity.

DISCONTINUED OPERATIONS REPORTING As of and for the interim period ended March 31, 2015, we adopted ASU 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” This ASU changed the definition of and expanded the disclosure requirements for discontinued operations. Under the new definition, discontinued operations reporting is limited to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity’s operations and financial results. The expanded disclosures for discontinued operations are meant to provide users of financial statements with more information about the assets, liabilities, revenues, and expenses of discontinued operations. Additionally, this ASU requires an entity to disclose the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. Our adoption of this standard had no material impact on our financial position, results of operations or liquidity.

ACCOUNTING STANDARDS PENDING ADOPTION

NET ASSET VALUE PER SHARE INVESTMENTS In May 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-07, “Disclosures for Investment in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),” which removes the requirement to categorize investments within the fair value hierarchy when their fair value is measured using the net asset value per share practical expedient. This ASU also removes the requirement to make certain disclosures for investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures would be limited to investments for which the entity has elected to measure the fair value using that practical expedient. This ASU is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. This ASU is to be applied retrospectively to all periods presented. Early adoption is permitted. We will adopt this standard as of and for the interim period ending March 31, 2016. While we are still evaluating the impact of ASU 2015-07, it will not impact our consolidated financial statements as it only affects disclosure. Thus, it will impact the notes to our consolidated financial statements, specifically, our pension plan fair value disclosures.

CONSOLIDATION In February 2015, the FASB issued ASU 2015-02, “Amendments to the Consolidation Analysis,” which amends existing consolidation guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. This ASU is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption is permitted. We will adopt this standard as of and for the interim period ending March 31, 2016. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

GOING CONCERN In August 2014, the FASB issued ASU 2014-15, “Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern,” which requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern (meet its obligations as they become due) within one year after the date that the financial statements are issued. If conditions or events raise substantial doubt about the entity’s ability to continue as a going concern, certain disclosures are required. This ASU is effective for annual reporting periods ending after December 15, 2016, and interim reporting periods thereafter. Early adoption is permitted. We will adopt this standard as of and for the annual period ending December 31, 2016. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

REVENUE RECOGNITION In May 2014, the FASB issued ASU 2014-09, “Revenue From Contracts With Customers,” which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This ASU provides a more robust framework for addressing revenue issues and expands required revenue recognition disclosures. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim reporting periods within those annual reporting periods. Early adoption is not permitted. We are currently evaluating the impact of adoption of this ASU on our consolidated financial statements.

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 expand the U.S. economy. We are the nation's largest producer of construction aggregates (primarily crushed stone, sand and gravel) and a major producer of asphalt mix and ready-mixed concrete.

Demand for our products is dependent on construction activity and correlates positively with changes in population growth, household formation and employment. 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 virtually 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; if not, transportation can cost more than the materials, rendering them uncompetitive compared to locally produced 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 high quality aggregates. We serve these markets from quarries that have access to long-haul transportation — 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 three Panamax-class, self-unloading ships.

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

While aggregates is our focus and 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/or ready-mixed concrete primarily in our mid-Atlantic, Georgia, southwestern and western markets. Aggregates comprise approximately 95% of asphalt mix by weight and 78% of ready-mixed concrete by weight. In all of these downstream businesses, aggregates are primarily supplied from our own operations.

Seasonality and cyclical nature of our business

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

EXECUTIVE SUMMARY

Financial highlights for SECOND Quarter 2015

Our second quarter results reflect the continuation of strong margin expansion and improvement in our industry-leading unit profitability in aggregates. Despite extremely wet weather in many of our markets, second quarter revenues increased 13% and gross profit increased 34% from the second quarter of 2014, with gross profit and gross profit margins improving in all segments. Same-store aggregates shipments rose 5% and same-store aggregates pricing (freight-adjusted) increased 6%. Underlying demand recovery and pricing momentum remain strong. Incremental Aggregates segment gross profit as a percentage of freight-adjusted revenues was 61% for the quarter and 74% on a same-store basis. Although weather impacts in the second quarter and first half may result in full-year volumes below plan, pricing and margin improvements lead us to reconfirm our full-year EBITDA guidance.

Compared to second quarter 2014:

- § Total revenues increased \$104.0 million, or 13%, to \$895.1 million
- § Gross profit increased \$59.7 million, or 34%, to \$234.4 million
- § Aggregates freight-adjusted revenues increased \$74.8 million, or 15%, to \$558.4 million
- § Aggregates shipments increased 9%, or 3.8 million tons, to 47.5 million tons
- § Same-store shipments increased 5%, or 2.4 million tons
- § Aggregates segment gross profit increased \$45.6 million, or 28%, to \$207.3 million
- § Incremental gross profit as a percentage of freight-adjusted revenues was 61%
- § On a same-store basis, this metric was 74%
- § Average freight-adjusted sales price increased 6% (on both total aggregates and same-store basis)
- § Asphalt Mix, Concrete and Calcium segment gross profit improved \$14.0 million, collectively
- § Selling, Administrative and General (SAG) remained in line with expectations and declined as a percentage of total revenues (7.7% versus 8.5%)
- § Earnings from continuing operations were \$49.8 million, or \$0.37 per diluted share, compared to earnings of \$46.5 million, or \$0.35 per diluted share, in the second quarter of 2014.
- § Discrete items in the second quarter of 2015 include:
 - § a pretax charge of \$2.6 million associated with acquisitions and divestitures
 - § a pretax loss on impairment of \$5.2 million
 - § a pretax charge of \$1.3 million for restructuring, and
 - § a pretax charge for debt purchase of \$45.3 million
- § Discrete items in the second quarter of 2014 include:
 - § a pretax loss of \$0.7 million (net of \$1.8 million of charges associated with acquisitions and divestitures) related to the sale of real estate and businesses
- § Adjusted EBITDA was \$229.2 million, an increase of \$56.5 million, or 33%

The continuing recovery in construction activity across most of our markets was masked by extremely wet weather, particularly in April and May. Despite deferred shipments and operating cost challenges due to these weather conditions, our local teams delivered another quarter of significant margin improvements – a pattern of performance sustained since the gradual recovery in shipments began eight quarters ago. Customer confidence and the overall demand outlook continue to improve, and, as expected, pricing momentum continues to strengthen. Looking forward,

we remain well positioned to serve our customers and to achieve strong earnings growth in 2015 and beyond.

Severe weather in the first half of the year, particularly in the second quarter, masked improving fundamentals in construction activity. Underlying demand remains strong and we are encouraged by the accelerating momentum in aggregates pricing throughout our markets. As a result, we are reaffirming our expectation for Adjusted EBITDA of \$775 to \$825 million, driven by strong growth in Aggregates segment gross profit per ton, earnings improvement in our non-aggregates businesses and continuing leverage of our SAG expenses. Through the first half of 2015, same-store aggregates volumes are up 7% and total aggregates pricing is up 5%. We expect a higher rate of pricing growth in the second half. With respect to second half shipments, a key factor will be the ability of our customers to recover weather-delayed volume from the first half, which can be a challenge in a growing market where scheduled work is compressed into a shorter time period.

Our performance in the first half of this year directly reflects the great efforts of our people at all levels of the organization and the geographic diversification of our operational footprint. Revenue growth is translating into earnings leverage,

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expanding margins and higher unit profitability – and we intend to keep pushing for additional improvement. We believe executing our sales and operating plans will achieve significant future earnings growth while delivering quality products and services to our customers safely and efficiently. We remain focused on the execution of those plans.

During March and April, we completed major components of the refinancing plan announced during our February 25, 2015 Investor Day. Refinancing expenses (reported as a part of interest expense), including the acceleration of previously deferred financing costs, were \$67.1 million in total, of which \$45.3 million was incurred in the second quarter. The remainder (\$21.7 million) was reported as part of interest expense in the first quarter.

In June, we closed on a new \$750.0 million unsecured credit facility. As previously noted, we intend to use this credit facility to refinance the \$150.0 million note due December 2015.

In total, the operations we acquired since the first half of 2014 contributed \$10.5 million of EBITDA in the second quarter. These results were slightly below management expectations, reflecting the impact of weather and marginally higher costs associated with increasing production capacity and efficiency at certain operations.

We continue to pursue attractive bolt-on acquisitions. In the second quarter, we acquired three aggregates facilities and seven ready-mixed concrete operations in Arizona and New Mexico for approximately \$21.4 million.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Gross profit margin excluding freight and delivery revenues is not a Generally Accepted Accounting Principle (GAAP) measure. We present this metric as it is consistent with the basis by which we review our operating results. Likewise, we believe that this presentation is consistent with the basis by which investors analyze our operating results considering that freight and delivery services represent pass-through activities. Reconciliation of this metric to its nearest GAAP measure is presented below:

gross profit margin in accordance with gaap

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	Three Months Ended		Six Months Ended	
	June 30		June 30	
dollars in millions	2015	2014	2015	2014
Gross profit	\$ 234.4	\$ 174.8	\$ 312.3	\$ 208.9
Total revenues	\$ 895.1	\$ 791.1	\$ 1,526.4	\$ 1,365.6
Gross profit margin	26.2%	22.1%	20.5%	15.3%

gross profit margin excluding freight and delivery revenues

	Three Months Ended		Six Months Ended	
	June 30		June 30	
dollars in millions	2014		2015	2014
Gross profit	\$ 234.4	\$ 174.8	\$ 312.3	\$ 208.9
Total revenues	\$ 895.1	\$ 791.1	\$ 1,526.4	\$ 1,365.6
Freight and delivery revenues 1	136.5	126.8	242.9	215.8
Total revenues excluding freight and delivery revenues	\$ 758.6	\$ 664.3	\$ 1,283.5	\$ 1,149.8
Gross profit margin excluding freight and delivery revenues	30.9%	26.3%	24.3%	18.2%

1 Includes freight to remote distribution sites.

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Aggregates segment gross profit as a percentage of freight-adjusted revenues is not a GAAP measure. We present this metric as it is consistent with the basis by which we review our operating results. We believe that this presentation is more meaningful to our investors as it excludes freight, delivery and transportation revenues which are pass-through activities. It also excludes immaterial other revenues related to services, such as landfill tipping fees, that are derived from our aggregates business. Incremental gross profit as a percentage of freight-adjusted revenues represents the year-over-year change in gross profit divided by the year-over-year change in freight-adjusted revenues. Reconciliations of these metrics to their nearest GAAP measures are presented below:

Aggregates segment gross profit margin in accordance with gaap

dollars in millions	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
Aggregates segment				
Gross profit	\$ 207.3	\$ 161.7	\$ 275.0	\$ 200.2
Segment sales	733.4	628.9	1,236.9	1,057.6
Gross profit margin	28.3%	25.7%	22.2%	18.9%
Incremental gross profit margin	43.6%		41.7%	

Aggregates segment gross profit as a percentage of freight-adjusted revenues

dollars in millions	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
Aggregates segment				
Gross profit	\$ 207.3	\$ 161.7	\$ 275.0	\$ 200.2
Segment sales	\$ 733.4	\$ 628.9	\$ 1,236.9	\$ 1,057.6
Excluding				
Freight, delivery and transportation revenues 1	170.5	139.2	287.9	239.8
Other revenues	4.5	6.1	10.7	10.3
Freight-adjusted revenues	\$ 558.4	\$ 483.6	\$ 938.3	\$ 807.5
Gross profit as a percentage of freight-adjusted revenues	37.1%	33.4%	29.3%	24.8%
Incremental gross profit as a percentage of freight-adjusted revenues	61.0%		57.2%	

1 At the segment level, freight, delivery and transportation revenues include intersegment freight & delivery revenues, which are eliminated at the consolidated level.

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GAAP does not define “free cash flow,” “cash gross profit” and “Earnings Before Interest, Taxes, Depreciation and Amortization” (EBITDA). Thus, free cash flow should not be considered as an alternative to net cash provided by operating activities or any other liquidity measure defined by GAAP. Likewise, cash gross profit and EBITDA should not be considered as alternatives to earnings measures defined by GAAP. We present these metrics for the convenience of investment professionals who use such metrics in their analyses and for shareholders who need to understand the metrics we use to assess performance and to monitor our cash and liquidity positions. The investment community often uses these metrics as indicators of a company's ability to incur and service debt and to assess the operating performance of a company's businesses. We use free cash flow, cash gross profit, EBITDA and other such measures to assess liquidity and the operating performance of our various business units and the consolidated company. Additionally, we adjust EBITDA for certain items to provide a more consistent comparison of performance from period to period. We do not use these metrics as a measure to allocate resources. Reconciliations of these metrics to their nearest GAAP measures are presented below:

free cash flow

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

	Six Months Ended	
	June 30	
in millions	2015	2014
Net cash provided by operating activities	\$ 64.6	\$ 22.9
Purchases of property, plant & equipment	(148.7)	(116.3)
Free cash flow	\$ (84.1)	\$ (93.4)

cash gross profit

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Cash gross profit adds back noncash charges for depreciation, depletion, accretion and amortization (DDA&A) to gross profit. Cash gross profit per ton is computed by dividing cash gross profit by tons shipped.

in millions, except per ton data	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
Aggregates segment				
Gross profit	\$ 207.3	\$ 161.7	\$ 275.0	\$ 200.2
DDA&A	57.0	56.3	112.5	111.0
Aggregates segment cash gross profit	\$ 264.3	\$ 218.0	\$ 387.5	\$ 311.2
Unit shipments - tons	47.5	43.6	81.0	73.3
Aggregates segment cash gross profit per ton	\$ 5.57	\$ 5.00	\$ 4.79	\$ 4.25
Asphalt Mix segment				
Gross profit	\$ 21.1	\$ 9.0	\$ 29.9	\$ 13.7
DDA&A	4.1	2.4	8.0	4.8
Asphalt Mix segment cash gross profit	\$ 25.2	\$ 11.4	\$ 37.9	\$ 18.5
Concrete segment				
Gross profit	\$ 4.9	\$ 3.2	\$ 5.7	\$ (6.0)
DDA&A	2.8	4.8	5.5	10.8
Concrete segment cash gross profit	\$ 7.7	\$ 8.0	\$ 11.2	\$ 4.8
Calcium segment				
Gross profit	\$ 1.1	\$ 0.9	\$ 1.7	\$ 1.0
DDA&A	0.2	0.2	0.3	1.2
Calcium segment cash gross profit	\$ 1.3	\$ 1.1	\$ 2.0	\$ 2.2

EBITDA and adjusted ebitda

EBITDA is an acronym for Earnings Before Interest, Taxes, Depreciation and Amortization and excludes discontinued operations. We adjust EBITDA for certain items to provide a more consistent comparison of performance from period to period.

in millions	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2015	2014	2015	2014
Net earnings	\$ 48.2	\$ 46.0	\$ 8.5	\$ 100.0
Provision for income taxes	19.9	18.0	5.8	40.9
Interest expense, net	83.7	40.6	146.1	160.6
Loss on discontinued operations, net of taxes	1.7	0.5	4.7	1.1
Depreciation, depletion, accretion and amortization	68.2	68.3	135.1	137.6
EBITDA	\$ 221.7	\$ 173.4	\$ 300.2	\$ 440.2
Gain on sale of real estate and businesses	\$ 0.0	\$ (1.1)	\$ (5.9)	\$ (237.1)
Charges associated with acquisitions and divestitures	2.6	1.8	5.0	10.9
Asset impairment	5.2	0.0	5.2	0.0
Amortization of deferred revenue	(1.6)	(1.4)	(2.5)	(2.3)
Restructuring charges	1.3	0.0	4.1	0.0
Adjusted EBITDA	\$ 229.2	\$ 172.7	\$ 306.1	\$ 211.7

RESULTS OF OPERATIONS

Total revenues include sales of products to customers, net of any discounts and taxes, and freight and delivery revenues billed to customers. Related freight and delivery costs are included in cost of revenues. This presentation is consistent with the basis on which we review our consolidated results of operations. We discuss separately our discontinued operations, which consist of our former Chemicals business.

The following table highlights significant components of our consolidated operating results including EBITDA and Adjusted EBITDA.

consolidated operating Result highlights

in millions, except per share data	Three Months Ended		Six Months Ended	
	June 30 2015	2014	June 30 2015	2014
Total revenues	\$ 895.1	\$ 791.1	\$ 1,526.4	\$ 1,365.6
Cost of revenues	660.7	616.3	1,214.1	1,156.7
Gross profit	\$ 234.4	\$ 174.8	\$ 312.3	\$ 208.9
Selling, administrative and general expenses	\$ 69.2	\$ 67.6	\$ 136.0	\$ 133.7
Gain on sale of property, plant & equipment and businesses, net	\$ 0.2	\$ 1.2	\$ 6.6	\$ 237.5
Operating earnings	\$ 153.8	\$ 103.2	\$ 164.5	\$ 297.9
Interest expense, net	\$ 83.7	\$ 40.6	\$ 146.1	\$ 160.6
Earnings from continuing operations before income taxes	\$ 69.7	\$ 64.5	\$ 18.9	\$ 141.9
Earnings from continuing operations	\$ 49.8	\$ 46.5	\$ 13.2	\$ 101.0
Loss on discontinued operations, net of taxes	(1.6)	(0.5)	(4.7)	(1.0)
Net earnings	\$ 48.2	\$ 46.0	\$ 8.5	\$ 100.0
Basic earnings (loss) per share				
Continuing operations	\$ 0.37	\$ 0.35	\$ 0.10	\$ 0.77
Discontinued operations	(0.01)	0.00	(0.04)	(0.01)
Basic net earnings per share	\$ 0.36	\$ 0.35	\$ 0.06	\$ 0.76
Diluted earnings (loss) per share				
Continuing operations	\$ 0.37	\$ 0.35	\$ 0.10	\$ 0.76
Discontinued operations	(0.01)	0.00	(0.04)	(0.01)
Diluted net earnings per share	\$ 0.36	\$ 0.35	\$ 0.06	\$ 0.75
EBITDA	\$ 221.7	\$ 173.4	\$ 300.2	\$ 440.2
Adjusted EBITDA	\$ 229.2	\$ 172.7	\$ 306.1	\$ 211.7

ADJUSTED CONCRETE AND Calcium SEGMENT FINANCIAL DATA

Comparative financial data adjusted for both the January 2015 exchange of our California concrete business and the March 2014 sale of our concrete and cement businesses in the Florida area is summarized below:

in millions	Three Months Ended		Six Months Ended	
	June 30 2015	2014	June 30 2015	2014
Concrete Segment				
Segment sales				
As reported	\$ 78.6	\$ 93.8	\$ 138.4	\$ 189.8
Adjusted	\$ 78.6	\$ 74.4	\$ 133.3	\$ 122.5
Total revenues				
As reported	\$ 78.6	\$ 93.8	\$ 138.4	\$ 189.8
Adjusted	\$ 78.6	\$ 74.4	\$ 133.3	\$ 122.5
Gross profit				
As reported	\$ 4.9	\$ 3.2	\$ 5.7	\$ (6.0)
Adjusted	\$ 4.9	\$ 4.9	\$ 6.5	\$ 0.6
DDA&A				
As reported	\$ 2.8	\$ 4.8	\$ 5.5	\$ 10.8
Adjusted	\$ 2.8	\$ 3.9	\$ 5.4	\$ 7.8
Shipments - cubic yards				
As reported	0.7	0.9	1.3	1.9
Adjusted	0.7	0.7	1.3	1.2
Calcium Segment				
Segment sales				
As reported	\$ 2.4	\$ 2.2	\$ 4.2	\$ 20.3
Adjusted	\$ 2.4	\$ 2.2	\$ 4.2	\$ 4.3
Total revenues				
As reported	\$ 2.4	\$ 2.2	\$ 4.2	\$ 11.1
Adjusted	\$ 2.4	\$ 2.2	\$ 4.2	\$ 4.3
Gross profit				
As reported	\$ 1.1	\$ 0.9	\$ 1.7	\$ 1.0
Adjusted	\$ 1.1	\$ 0.9	\$ 1.7	\$ 1.3
DDA&A				
As reported	\$ 0.2	\$ 0.2	\$ 0.3	\$ 1.2
Adjusted	\$ 0.2	\$ 0.2	\$ 0.3	\$ 0.3

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second quarter 2015 Compared to second Quarter 2014

Second quarter 2015 total revenues were \$895.1 million, up 13% from the second quarter of 2014. Shipments increased in aggregates (+9%) and asphalt mix (+34%) while they declined in ready-mixed concrete (-22%). The reduction in ready-mixed concrete shipments resulted primarily from our exiting the concrete business in Florida and California; on a same-store basis, ready-mixed concrete shipments were down 5%. Diesel fuel expenditures were approximately \$10.8 million lower, with most of the benefit realized in the Aggregates segment.

Net earnings for the second quarter of 2015 were \$48.2 million, or \$0.36 per diluted share, compared to \$46.0 million, or \$0.35 per diluted share, in the second quarter of 2014. Each period's results were impacted by discrete items, as follows:

- § The second quarter of 2015 results include pretax charges of \$2.6 million associated with acquisitions and divestitures, \$5.2 million related to an asset impairment loss, \$1.3 million referable to restructuring, and \$45.3 million for debt purchase presented as a component of interest expense (see Note 7 to the condensed consolidated financial statements)
- § The second quarter of 2014 results include a pretax loss of \$0.7 million (net of \$1.8 million of charges associated with acquisitions and divestitures) related to the sale of real estate and businesses

Continuing Operations — Changes in earnings from continuing operations before income taxes for the second quarter of 2015 versus the second quarter of 2014 are summarized below:

earnings from continuing operations before income taxes

in millions	
Second quarter 2014	\$ 64.5
Higher aggregates gross profit	45.6
Higher asphalt mix gross profit	12.1
Higher concrete gross profit	1.7
Higher calcium gross profit	0.2
Higher selling, administrative and general expense	(1.6)
Lower gain on sale of property, plant & equipment and businesses	(0.9)
Higher restructuring charges	(1.3)
Higher interest expense, net	(43.1)
All other	(7.5)
Second quarter 2015	\$ 69.7

Aggregates freight-adjusted revenues were \$558.4 million, up 15% from the prior year's second quarter. On a same-store basis, aggregates shipments increased 5% from the prior year despite being hampered by adverse weather. Overall, second quarter total aggregates shipments increased 9%, or 3.8 million tons, compared to the second quarter of 2014.

Severe wet weather disrupted shipments across many of our key markets. Same-store shipment growth of 5% in the quarter fell below both our plan and recent trends. A monthly breakdown of shipping trends illustrates the weather impacts in the quarter. On a same-store basis, aggregates shipments in April and May (when record rainfall was reported in several of our markets) increased 5% and 2%, respectively, versus the prior year. In contrast, June same-store aggregates shipments increased 9% versus the prior year. Despite weather limiting available construction days in several markets, the second quarter marked the eighth consecutive quarter of growth in trailing twelve month shipments. For the quarter just ended, trailing twelve month shipments grew 9% over the prior year period on a same-store basis. Both public and private demand for aggregates continue to recover across most of our markets; however, current consumption levels remain well below historic trends.

Freight-adjusted average sales price for aggregates increased 6% on a same-store basis, or \$0.71 per ton, versus the prior year's second quarter, with most markets realizing accelerating price improvement. Product mix muted the impact of reported price increases in some key markets, including Virginia, where large shipments of lower-priced fines product contributed to an approximately 1% decline in that state's quarterly average selling price over the prior year. In most markets, announced price increases have been well accepted. Given these and other indicators, we expect overall aggregates pricing to continue to rise throughout the year, with a higher rate of increase in the second half.

Overall, aggregates operating costs approximated the prior year's second quarter. Several markets experienced higher than expected costs pertaining to repair and maintenance activities and overtime labor, with weather conditions also negatively impacting production efficiencies. Despite lower than planned shipments in the second quarter, we moved ahead with stripping and other expenditures geared toward meeting rising customer demand. Diesel related cost-savings mostly offset

these higher costs in the quarter. Compared to last year's second quarter, our cost of revenues for the Aggregates segment benefitted by approximately \$9.1 million from lower diesel fuel expenditures.

During the second quarter, same store unit margins continued to expand faster than unit pricing. Same-store Aggregates segment gross profit per ton increased \$0.76, or 21%, from the prior year. This reflects our continued commitment to high customer service levels as well as plant-level cost controls and operating disciplines.

For the quarter, Aggregates segment same-store freight-adjusted revenues increased \$58.8 million, while same-store gross profit increased \$43.6 million, a flow-through rate of 74%. Because quarterly results can be volatile due to seasonality and other factors, we encourage investors to also consider longer-term trends. On a trailing-twelve-month basis, this same-store flow-through rate has consistently exceeded our stated goal of 60% since volumes began to recover in the second half of 2013.

Asphalt Mix segment gross profit was \$21.1 million versus \$9.0 million in the prior year. This year-over-year improvement resulted from higher volumes, effective management of materials margins, and earnings from acquisitions completed since the first half of last year. Same-store asphalt volumes increased 8%.

Concrete segment gross profit was \$4.9 million versus \$3.2 million in the prior year's second quarter. Last year's second quarter results included our California concrete business that was divested via an asset swap in January 2015. On a same-store basis, sales volumes decreased 5% versus the prior year due to unusually wet weather in Texas and Virginia. Pricing and unit profitability improved while same-store gross profit was flat with the prior year due to the negative volume impact of wet weather.

Our Calcium segment reported gross profit of \$1.1 million, an improvement over the prior year's \$0.9 million.

Overall SAG expenses remain in line with expectations and largely flat with the prior year. In the second quarter, legal and outside services expenses, primarily associated with business development activities, were higher than the prior year. Although we continue to invest in sales-related staff and support, overall headcount-related costs were lower year-over-year. SAG costs as a percentage of total revenues were 0.8 percentage points (80 basis points) lower than the prior year. We intend to further leverage SAG expenses to revenues as volumes recover.

Gain on sale of property, plant & equipment and businesses was \$0.2 million in the second quarter of 2015 compared to \$1.2 million in the second quarter of 2014.

Restructuring charges were \$1.3 million in the second quarter of 2015 compared to none in the second quarter of 2014. See Note 1 to the condensed consolidated financial statements for an explanation of these costs.

Other operating expense in the second quarter was \$10.4 million versus \$5.1 million in the second quarter of 2014. The year-over-year increase resulted from a land parcel in California where the lease was not renewed. As a result, the associated reclamation obligation was expensed in the second quarter as an asset impairment loss of \$5.2 million.

Net interest expense was \$83.7 million in the second quarter of 2015 compared to \$40.6 million in 2014. The increased interest expense resulted from the aforementioned \$45.3 million pretax charge for debt purchase. See Note 7 to the condensed consolidated financial statements for an explanation of this charge.

We recorded an income tax provision from continuing operations of \$19.9 million in the second quarter of 2015 compared to \$18.0 million in the second quarter of 2014. For both quarters, income taxes were calculated based on the EAETR. The EAETR method for calculating income taxes is discussed in Note 3 to the condensed consolidated financial statements. The change in our income tax provision resulted largely from applying the statutory rate to the increase in our pretax book earnings.

Earnings from continuing operations were \$0.37 per diluted share compared to \$0.35 per diluted share in the second quarter of 2014.

Discontinued Operations — Second quarter pretax loss from discontinued operations was \$2.7 million in 2015 and \$0.9 million in 2014. Both periods include charges related to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business. For additional details, see Note 2 to the condensed consolidated financial statements.

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YEAR-TO-DATE JUNE 30, 2015 Compared to YEAR-TO-DATE JUNE 30, 2014

First half 2015 total revenues were \$1,526.4 million, an increase of 12% versus the \$1,365.6 million in the first half of 2014. Shipments were higher in aggregates (+10%) and asphalt mix (+29%) while they declined in ready-mixed concrete (-31%). The reduction in ready-mixed concrete shipments resulted primarily from our exiting the concrete businesses in Florida and California; on a same-store basis, ready-mixed concrete shipments were down 4%. Diesel fuel expenditures were approximately \$20.5 million lower, with most of the benefit realized in the Aggregates segment.

Net earnings for first six months of 2015 were \$8.5 million, or \$0.06 per diluted share, compared to \$100.0 million, or \$0.75 per diluted share, for the first half of 2014. Each period's results were impacted by discrete items, as follows:

- § Net earnings for first half of 2015 include a pretax gain of \$1.0 million (net of \$4.9 million of charges associated with acquisitions and divestitures) related to the sale of real estate and businesses, a \$4.1 million charge for restructuring, a \$5.2 million asset impairment loss, and a pretax loss on debt purchase of \$67.1 million presented as a component of interest expense (see Note 7 to the condensed consolidated financial statements)
- § Net earnings for first half of 2014 include a pretax gain of \$226.2 million (net of \$10.9 million of charges associated with acquisitions and divestitures) related to the sale of real estate and businesses including our cement and concrete businesses in the Florida area, and a pretax loss on debt purchase of \$72.9 million presented as a component of interest expense (see Note 7 to the condensed consolidated financial statements)

Continuing Operations — Changes in earnings from continuing operations before income taxes for year-to-date June 30, 2015 versus year-to-date June 30, 2014 are summarized below:

earnings from continuing operations before income taxes

in millions	
Year-to-date June 30, 2014	\$ 141.9
Higher aggregates gross profit	74.8
Higher asphalt mix gross profit	16.2
Higher concrete gross profit	11.7
Higher calcium gross profit	0.7
Higher selling, administrative and general expenses	(2.2)
Lower gain on sale of property, plant & equipment and businesses	(230.9)

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Higher restructuring charges	(4.1)
Lower interest expense, net	14.5
All other	(3.7)
Year-to-date June 30, 2015	\$ 18.9

Gross profit for the Aggregates segment was \$275.0 million for the first six months of 2014 versus \$200.2 million in 2014. Lower diesel fuel expenditures favorably impacted Aggregates segment gross profit by approximately \$15.6 million. Aggregates freight-adjusted revenues were \$938.3 million, up 16% from the first half of 2014. On a same-store basis, aggregates shipments increased 7% from the prior year; the level of increase was muted by adverse weather conditions in many of our markets during the first half of 2015. Overall, first half aggregates shipments increased 10%, or 7.7 million tons, compared to the prior year. Freight-adjusted average sale price for aggregates increased 5%, or \$0.57 per ton (\$0.60 per ton on a same-store basis), versus the first half of 2014, with most markets realizing price improvement. Same-store unit margins continued to expand faster than unit pricing. Aggregates segment same-store gross profit per ton increased \$0.76, or 28%, from the first half of 2014.

Asphalt Mix segment gross profit of \$29.9 million was up \$16.2 million above the first half 2014 level. This improvement was due to improved margins and higher volumes. Same-store asphalt volumes increased 7% due to strong growth in Texas and California.

Concrete segment gross profit was \$5.7 million for the first six months of 2015, an improvement of \$11.7 million from the prior year. Ready-mixed concrete unit materials margin increased 18% while shipments decreased 31%. Last year's results include our Florida concrete business (sold in the first quarter of 2014) and as well as our California concrete business (divested in January 2015). On a same-store basis ready-mixed concrete shipments were down 4%.

As previously noted, we sold our cement business in March of 2014. We retained our calcium products business, which is now reported separately as a segment. The Calcium segment reported first half gross profit of \$1.7 million versus the \$1.0 million in the first six months of 2014.

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In total, the year-to-date gross profit contribution of the non-aggregates segments has exceeded plan. Margin improvements resulting from both core operating disciplines and changes to our asset portfolio have offset lower than anticipated volumes in certain markets.

SAG expenses in the first half of 2015 were up \$2.2 million, or 2%, from the prior year. However, as a percentage of total revenues, SAG expenses declined 0.9 percentage points (or 90 basis points).

Gain on sale of property, plant & equipment and businesses was \$6.6 million in the first six months of 2015 compared to \$237.5 million in the first half of 2014. The 2015 gain includes the first quarter exchange (we exited the ready-mixed concrete business in California and added thirteen asphalt plant locations, primarily in Arizona) which resulted in a pretax gain of \$5.9 million. The 2014 gain includes the sale of our cement and concrete businesses in Florida to Cementos Argos for a \$229.1 million pretax gain and the sale of two reclaimed operating sites for a \$6.0 million pretax gain.

Restructuring charges were \$4.1 million in the first half of 2015 compared to none in the first six months of 2014. See Note 1 to the condensed consolidated financial statements for an explanation of these costs.

Net interest expense was \$146.1 million in the first half of 2015 compared to \$160.6 million in the first six months of 2014. The lower interest expense resulted primarily from the lower (\$67.1 million first half of 2015 vs. \$72.9 million first half of 2014) pretax charge for debt purchase. See Note 7 to the condensed consolidated financial statements for an explanation of the debt purchase charges.

We recorded an income tax provision from continuing operations of \$5.8 million for the six months ended June 30, 2015 compared to \$40.9 million for the six months ended June 30, 2014. For both six month periods, income taxes were calculated based on the EAETR. The EAETR method for calculating income taxes is discussed in Note 3 to the condensed consolidated financial statements. The change in our income tax provision resulted largely from applying the statutory rate to the decrease in our pretax book earnings.

Earnings from continuing operations were \$0.06 per diluted share compared to \$0.76 per diluted share in the first half of 2014.

Discontinued Operations — Year to-date June pretax loss from discontinued operations was \$7.7 million in 2015 compared to \$1.7 million in 2014. Both periods include charges related to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business. For additional details, see Note 2 to the condensed consolidated financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

Our primary sources of liquidity are cash provided by our operating activities, a bank line of credit and access to the capital markets. Additional sources of liquidity include the sale of reclaimed and surplus real estate, and dispositions of non-strategic operating assets. We believe these liquidity and financial resources are sufficient to fund our future business requirements, including:

- § cash contractual obligations
- § capital expenditures
 - § debt service obligations
- § dividend payments
- § potential share repurchases
- § potential future acquisitions

We actively manage our capital structure and resources in order to minimize the cost of capital while properly managing financial risk. We seek to meet these objectives by adhering to the following principles:

- § maintain substantial bank line of credit borrowing capacity
- § proactively manage our long-term debt maturity schedule such that repayment/refinancing risk in any single year is low
- § minimize financial and other covenants that limit our operating and financial flexibility
- § opportunistically access the capital markets when conditions and terms are favorable

Cash

Included in our June 30, 2015 cash and cash equivalents balance of \$74.7 million is \$49.8 million of cash held at one of our foreign subsidiaries. A majority of this \$49.8 million of cash relates to earnings prior to January 1, 2012 that are permanently reinvested offshore. Use of this permanently reinvested cash is currently limited to our foreign operations.

cash from operating activities

in millions	Six Months Ended	
	June 30	
	2015	2014
Net earnings	\$ 8.5	\$ 100.0
Depreciation, depletion, accretion and amortization (DDA&A)	135.1	137.7
Net earnings before noncash deductions for DDA&A	\$ 143.6	\$ 237.7
Net gain on sale of property, plant & equipment and businesses	(6.6)	(237.5)
Cost of debt purchase	67.1	72.9
Other operating cash flows, net 1	(139.5)	(50.2)
Net cash provided by operating activities	\$ 64.6	\$ 22.9

1 Primarily reflects changes to working capital balances.

Net cash provided by operating activities was \$64.6 million during the first half of 2015, a \$41.7 million increase compared to the same period of 2014. As noted in the table above, net earnings before noncash deduction for DDA&A decreased \$94.1 million during the first half of 2015 to \$143.6 million. Included in net earnings for the first half of 2014 is a pretax gain of \$229.1 million (see Note 16 to the condensed consolidated financial statements) from the March 2014 sale of our cement and concrete businesses in the Florida area. Cash received associated with gain on sale of property, plant & equipment and businesses is presented as a component of investing activities. In the first half of 2015, we purchased \$471.1 million principal amount of outstanding debt and incurred charges of \$67.1 million. In the first half of 2014, we purchased \$506.4 million principal amount of outstanding debt and incurred charges of \$72.9 million (see Note 7 to the condensed consolidated financial statements). Cash paid for the debt purchases is presented as a component of financing activities.

cash flows from investing activities

Net cash used for investing activities was \$167.0 million during the first half of 2015, a \$728.0 million decrease in cash flows compared to the net cash provided during the same period of 2014. This decrease resulted from a \$736.1 million decrease in proceeds from the sale of property, plant & equipment and businesses. During the first half of 2014, we sold: a previously mined and subsequently reclaimed tract of land for \$10.7 million, land previously containing a sales yard for \$5.8 million, and our cement and concrete businesses in the Florida area for \$719.1 million. Conversely, \$62.1 million of the cash proceeds from these prior year sales of property was placed into an escrow account (restricted cash) that was available for the acquisition of replacement property under like-kind exchange agreements. Furthermore, we increased investments in our existing operations by \$32.4 million during the first half of 2015 as reflected in the increased purchases of property, plant & equipment.

cash flows from financing activities

Net cash provided by financing activities of \$35.8 million increased \$585.7 million in the first six months of 2015 compared with the same period of 2014. This increase in cash provided by financing activities is attributable to the prior year's \$579.7 million of debt payments and purchases. In the current year, we refinanced our debt portfolio through the issuance of \$400.0 million of long-term debt and \$284.0 million gross draws on our line of credit offset by debt payments of \$676.4 million. Total debt financing costs (including premiums and transaction costs) were \$530.9 million and \$579.7 million in 2015 and 2014, respectively. Additionally, in 2014 we issued 435,655 shares of our common stock to the trustee of our 401(k) savings and retirement plans for cash proceeds of \$27.5 million. Proceeds from the exercise of stock options increased \$38.7 million reflecting increased exercises as a result of our improved stock price.

debt

Certain debt measures are outlined below:

	June 30 dollars in millions 2015	December 31 2014	June 30 2014
Debt			
Current maturities			
of long-term debt \$	14.1	\$ 150.1	\$ 0.2
Short-term debt			
(line of credit) 1	138.5	0.0	0.0
Long-term debt	1,893.7	1,834.6	1,983.3
Total debt 2	\$ 2,046.3	\$ 1,984.7	\$ 1,983.5
Capital			
Total debt 2	\$ 2,046.3	\$ 1,984.7	\$ 1,983.5
Equity	4,227.0	4,176.7	4,086.2
Total capital	\$ 6,273.3	\$ 6,161.4	\$ 6,069.7
Total Debt as a			
Percentage of			
Total Capital	32.6%	32.2%	32.7%
Weighted-average			
Effective Interest			
Rates			
Bank line of			
credit 3	1.75%	1.50%	N/A
Long-term debt	7.62%	8.10%	8.10%
Fixed versus			
Floating Interest			
Rate Debt			
Fixed-rate debt	92.6%	99.3%	99.3%
Floating-rate			
debt	7.4%	0.7%	0.7%

1 Reflects borrowings under our line of credit that matures in June 2020. Borrowings are shown as short-term due to our intent to repay within twelve months.

2 The debt balances as of December 31, 2014 and June 30, 2014 have been adjusted to reflect our early adoption of ASU 2015-03 and related election as disclosed in Note 17 to the condensed consolidated financial statements.

3 Reflects the margin above LIBOR for LIBOR-based borrowings; we also pay fees for unused borrowing capacity and standby letters of credit.

Line of credit

In June 2015, we cancelled our secured \$500.0 million line of credit and entered into an unsecured \$750.0 million line of credit that expires in June 2020. The expanded borrowing capacity is consistent with the refinancing plans (the 2015 refinancing plans) disclosed at our February 25, 2015 Investor Day, and is intended to be consistently used to, among other objectives, maintain total debt at approximately \$2 billion at year end 2015 (consistent with year end 2014). Borrowings at June 30, 2015 consisted partially of funds used to complete the April 2015 debt retirements described in Note 7 to the condensed consolidated financial statements, and partially to fund working capital needs. We expect to use the line of credit to refinance at maturity the 10.125% notes (\$150.0 million) due December 2015.

The line of credit agreement contains affirmative, negative and financial covenants customary for an unsecured facility (none of which materially impact our ability to execute our strategic, operating and financial plans). The financial covenants are: (1) a maximum ratio of debt to EBITDA of 3.5:1 through September 2016 and 3.25:1 thereafter, and (2) a minimum ratio of EBITDA to net cash interest expense of 3.0:1. As of June 30, 2015, we were in compliance with the line of credit covenants.

Borrowings and other cost ranges and details are described in Note 7 to the condensed consolidated financial statements. As of June 30, 2015, the credit margin for London Interbank Offered Rate (LIBOR) borrowings was 1.75%, the credit margin for base rate borrowings was 0.75% and the commitment fee was 0.25%.

As of June 30, 2015, our available borrowing capacity under the line of credit was \$558.3 million. Utilization of the borrowing capacity was as follows:

§ \$138.5 million was borrowed

§ \$53.2 million was used to provide support for outstanding standby letters of credit

TERM DEBT

All of our term debt is unsecured. All such debt, other than the \$14.0 million industrial revenue bond and the \$0.6 million of other notes, is governed by two, essentially identical indentures that contain customary investment-grade type covenants. The primary covenant in both indentures limits the amount of secured debt we may incur without ratably securing such debt. As of June 30, 2015, we were in compliance with all of the term debt covenants.

In March and April of 2015, we completed the refinancing of \$471.1 million principal amount of debt due between December 2016 and June 2018 as described in Note 7 to the condensed consolidated financial statements. We plan to refinance at maturity (December 2015) the 10.125% notes via borrowings on our line of credit. These refinancing actions are consistent with the aforementioned 2015 refinancing plans, will result in total debt of approximately \$2.0 billion at year end 2015 (consistent with year end 2014) and have the following benefits, among others: (1) eliminate \$621.1 million of debt maturities in 2015 – 2018, (2) extend the weighted-average life of our debt portfolio, and (3) lower our weighted-average coupon rate.

The refinancing actions resulted in charges totaling \$67.1 million in the first and second quarters. Such charges are detailed in Note 7 to the condensed consolidated financial statements and are presented in the accompanying Condensed Consolidated Statement of Comprehensive Income as a component of interest expense for the six month period ended June 30, 2015.

In March 2014, we purchased \$506.4 million principal amount of debt through a tender offer as described in Note 7 to the condensed consolidated financial statements. This debt purchase was funded by the aforementioned sale of our cement and concrete businesses in the Florida area.

CURRENT MATURITIES of long-term debt

The \$14.1 million of current maturities of long-term debt as of June 30, 2015 includes all long-term debt that we intend to pay within twelve months, as described above, and is due as follows:

in millions	Current Maturities
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	\$
Third quarter 2015	14.0
Fourth quarter 2015	0.1
First quarter 2016	0.0
Second quarter 2016	0.0

We expect to retire debt maturities using existing cash, cash generated from operations or by drawing on our bank line of credit.

debt ratings

Our debt ratings and outlooks as of June 30, 2015 are summarized below:

Rating/Outlook	Date	Description
Senior Unsecured 1		
FitchBB+/stable	5/11/2015	initial coverage
Moody's		
2 Ba3/positive	2/18/2015	outlook changed from stable to positive
Standard		
&		
PoorBB+/positive	3/16/2015	outlook changed from stable to positive

1 Not all of our long-term debt is rated.

2 Rating and outlook were affirmed on March 16, 2015.

Equity

Our common stock issuances are summarized below:

June 30 in thousands	2015	December 31 2014	June 30 2014
Common stock shares at beginning of year, issued and outstanding	131,907	130,200	130,200
Common Stock Issuances			
Acquisitions	0	715	17
401(k) retirement plans	0	485	436
Share-based compensation plans	1,077	507	257
Common stock shares at end of period, issued and outstanding	132,984	131,907	130,910

During 2014, we issued 715.0 thousand shares of our common stock in connection with business acquisitions as described in Note 16 to the condensed consolidated financial statements.

Under a program that was discontinued in the fourth quarter of 2014, we occasionally sold shares of our common stock to the trustee of our 401(k) retirement plans to satisfy the plan participants' elections to invest in our common stock. Under this arrangement, the stock issuances and resulting cash proceeds were as follows:

- § twelve months ended December 31, 2014 — issued 485.3 thousand shares for cash proceeds of \$30.6 million
- § six months ended June 30, 2014 — issued 435.7 thousand shares for cash proceeds of \$27.5 million

There were no shares held in treasury as of June 30, 2015, December 31, 2014 and June 30, 2014. There were 3,411,416 shares remaining under the current purchase authorization of the Board of Directors as of June 30, 2015.

off-balance sheet arrangements

We have no off-balance sheet arrangements, such as financing or unconsolidated variable interest entities, that either have or are reasonably likely to have a current or future material effect on our:

- § results of operations and financial position
- § capital expenditures
- § liquidity and capital resources

Standby Letters of Credit

For a discussion of our standby letters of credit, see Note 8 to the condensed consolidated financial statements.

Cash Contractual Obligations

Our obligation to make future payments under contracts is presented in our most recent Annual Report on Form 10-K. Changes resulting from our March 2015 debt issuance and purchase and the April 2015 debt restructuring as described in Note 7 to the condensed consolidated financial statements are outlined in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.

In addition, during 2015, we entered into contractual agreements for the construction and purchase of two Panamax-class, self-unloading, bulk cargo vessels. Both vessels are scheduled to be completed in 2017 and will be used to transport aggregates from our Sac Tun quarry on Mexico's Yucatan Peninsula. As a result of these contracts, our obligations to make future payments under contracts increased as follows:

in millions	Payments Due by Year				Total
	2015	2016-2017	2018-2019	Thereafter	
Cash					
Contractual					
Obligations					
Unconditional					
purchase					
obligations					
Capital	\$ 36.5	\$ 85.3	\$ 0.0	\$ 0.0	\$ 121.8
Total	\$ 36.5	\$ 85.3	\$ 0.0	\$ 0.0	\$ 121.8

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, 2014 (Form 10-K).

We prepare these financial statements to conform with accounting principles generally accepted in the United States of America. These principles require 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 contingent liabilities at the date

of the financial statements. We base our estimates on historical experience, current conditions and various other assumptions we believe reasonable under existing circumstances and evaluate these estimates and judgments on an ongoing basis. The results of these estimates form the basis for our 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 materially differ from these estimates.

We believe that the accounting policies described in the “Management's Discussion and Analysis of Financial Condition and Results of Operations” section of our Form 10-K require the most significant judgments and estimates used in the preparation of 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, 2015.

new Accounting standards

For a discussion of the accounting standards recently adopted or pending adoption and the effect such accounting changes will have on our results of operations, financial position or liquidity, see Note 17 to the condensed consolidated financial statements.

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
- § the timing and amount of federal, state and local funding for infrastructure
- § changes in our effective tax rate that can adversely impact results
- § the increasing reliance on information technology infrastructure for our ticketing, procurement, financial statements and other processes could adversely affect operations in the event that the infrastructure does not work as intended or experiences technical difficulties or is subjected to cyber attacks
- § the impact of the state of the global economy on our businesses and financial condition and access to capital markets
- § changes in the level of spending for private residential and private 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
- § changes in interest rates
 - § the impact of our below investment grade debt rating on our cost of capital
- § volatility in pension plan asset values and liabilities which may require cash contributions to the pension plans
- § 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 successfully implement our new divisional structure and changes in our management team
- § our ability to manage and successfully integrate acquisitions
- § the potential of goodwill or long-lived asset impairment
- § the potential impact of future legislation or regulations relating to climate change or greenhouse gas emissions or the definition of minerals
 - § other assumptions, risks and uncertainties detailed from time to time in our periodic reports

All forward-looking statements are made as of the date of filing. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. Investors are cautioned not to rely unduly on such forward-looking statements when evaluating the information presented in our filings, and are advised to consult any of our future disclosures in filings made with the Securities and Exchange Commission and our press releases with regard to our business and consolidated financial position, results of operations and cash flows.

INVESTOR information

We make available on our website, www.vulcanmaterials.com, free of charge, copies of our:

- § Annual Report on Form 10-K
- § Quarterly Reports on Form 10-Q
- § Current Reports on Form 8-K

We also provide amendments to those reports filed with or furnished to the Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as well as all Forms 3, 4 and 5 filed with the SEC by our executive officers and directors, as soon as the filings are made publicly available by the SEC on its EDGAR database (www.sec.gov).

The public may read and copy materials filed with the SEC at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D. C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. In addition to accessing copies of our reports online, you may request a copy of our Annual Report on Form 10-K, including financial statements, by writing to Jerry F. Perkins Jr., Secretary, Vulcan Materials Company, 1200 Urban Center Drive, Birmingham, Alabama 35242.

We have a:

- § Business Conduct Policy applicable to all employees and directors
- § Code of Ethics for the CEO and Senior Financial Officers

Copies of the Business Conduct Policy and the Code of Ethics are available on our website under the heading “Corporate Governance.” If we make any amendment to, or waiver of, any provision of the Code of Ethics, we will disclose such information on our website as well as through filings with the SEC.

Our Board of Directors has also adopted:

- § Corporate Governance Guidelines
- § Charters for its Audit, Compensation, Executive, Finance, Governance and Safety, Health & Environmental Affairs Committees

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These documents meet all applicable SEC and New York Stock Exchange regulatory requirements.

The Audit, Compensation and Governance Charters are available on our website under the heading, “Corporate Governance,” or you may request a copy of any of these documents 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

MARKET RISK

We are exposed to certain market risks arising from transactions that are entered into in the normal course of business. In order to manage or reduce these market risks, 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.

At June 30, 2015, the estimated fair value of our long-term debt instruments including current maturities was \$2,155.1 million compared to a book value of \$1,907.9 million. The estimated fair value was determined by averaging several asking price quotes for publicly traded notes and assuming par value for the remainder of the debt. 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 one percentage point would increase the fair value of our liability by \$120.6 million.

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 and the rate of 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

disclosure 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 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, 2015. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

No material changes were made during the second quarter of 2015 to our internal controls over financial reporting, nor have there been other factors that materially affect these controls.

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, 2014, and in Note 8 to the condensed consolidated financial statements and Part II, Item 1 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. See Note 8 to the condensed consolidated financial statements of this Form 10-Q 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 I in our Form 10-K for the year ended December 31, 2014.

ITEM 4

MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 of this report.

ITEM 6

exhibits

- Exhibit 4(a) Supplemental Indenture No. 2, dated as of June 30, 2015, between Legacy Vulcan, LLC and The Bank of New York Mellon Trust Company, N.A., as Trustee
- 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 95 MSHA Citations and Litigation
- 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 5, 2015 (Principal Accounting Officer)

/s/ John R. McPherson

John R. McPherson

Executive Vice President and Chief Financial and Strategy Officer

Date August 5, 2015 (Principal Financial Officer)