

**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 **September 30, 2019**

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)

**1200 Urban Center Drive, Birmingham, Alabama**

(Address of principal executive offices)

**(205) 298-3000**

(Registrant's telephone number including area code)

**20-8579133**

(I.R.S. Employer Identification No.)

**35242**

(zip code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol	Name of each exchange on which registered
<b>Common Stock, \$1 par value</b>	<b>VMC</b>	<b>New York Stock Exchange</b>

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer  Accelerated filer  Smaller reporting company

Non-accelerated filer  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 October 25, 2019
Common Stock, \$1 Par Value	132,354,605

# FORM 10-Q

## QUARTER ENDED SEPTEMBER 30, 2019

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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.

## PART I FINANCIAL INFORMATION

ITEM 1  
FINANCIAL STATEMENTS

## VULCAN MATERIALS COMPANY AND SUBSIDIARY COMPANIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

<i>Unaudited in thousands</i>	<i>September 30 2019</i>	<i>December 31 2018</i>	<i>September 30 2018</i>
<b>Assets</b>			
Cash and cash equivalents	\$ 90,411	\$ 40,037	\$ 38,026
Restricted cash	691	4,367	5,043
Accounts and notes receivable			
Accounts and notes receivable, gross	727,900	542,868	648,009
Allowance for doubtful accounts	(2,960)	(2,090)	(2,294)
Accounts and notes receivable, net	724,940	540,778	645,715
Inventories			
Finished products	364,164	372,604	346,940
Raw materials	31,250	27,942	29,078
Products in process	6,062	3,064	2,668
Operating supplies and other	28,184	25,720	29,966
Inventories	429,660	429,330	408,652
Other current assets	78,540	64,633	78,476
Total current assets	1,324,242	1,079,145	1,175,912
Investments and long-term receivables	57,059	44,615	42,944
Property, plant & equipment			
Property, plant & equipment, cost	8,657,731	8,457,619	8,386,315
Allowances for depreciation, depletion & amortization	(4,370,386)	(4,220,312)	(4,197,592)
Property, plant & equipment, net	4,287,345	4,237,307	4,188,723
Operating lease right-of-use assets, net	410,833	0	0
Goodwill	3,167,061	3,165,396	3,169,615
Other intangible assets, net	1,071,330	1,095,378	1,099,354
Other noncurrent assets	221,803	210,289	199,087
Total assets	\$ 10,539,673	\$ 9,832,130	\$ 9,875,635
<b>Liabilities</b>			
Current maturities of long-term debt	24	23	23
Short-term debt	0	133,000	200,000
Trade payables and accruals	265,012	216,473	233,885
Other current liabilities	270,248	253,054	256,507
Total current liabilities	535,284	602,550	690,415
Long-term debt	2,783,068	2,779,357	2,778,129
Deferred income taxes, net	628,726	567,283	581,026
Deferred revenue	180,541	186,397	186,829
Operating lease liabilities	391,079	0	0
Other noncurrent liabilities	478,736	493,640	493,447
Total liabilities	\$ 4,997,434	\$ 4,629,227	\$ 4,729,846
Other commitments and contingencies (Note 8)			
<b>Equity</b>			
Common stock, \$1 par value, Authorized 480,000 shares, Outstanding 132,350, 131,762 and 132,045 shares, respectively	132,350	131,762	132,045
Capital in excess of par value	2,785,245	2,798,486	2,795,366
Retained earnings	2,795,834	2,444,870	2,361,903
Accumulated other comprehensive loss	(171,190)	(172,215)	(143,525)
Total equity	\$ 5,542,239	\$ 5,202,903	\$ 5,145,789
Total liabilities and equity	\$ 10,539,673	\$ 9,832,130	\$ 9,875,635

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**

<i>Unaudited</i> <i>in thousands, except per share data</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<b>2019</b>	2018	<b>2019</b>	2018
Total revenues	\$ 1,418,758	\$ 1,240,197	\$ 3,742,951	\$ 3,294,822
Cost of revenues	1,018,115	897,055	2,780,131	2,469,161
Gross profit	400,643	343,142	962,820	825,661
Selling, administrative and general expenses	88,789	81,606	274,747	248,989
Gain on sale of property, plant & equipment and businesses	234	2,104	10,982	8,374
Other operating expense, net	(8,712)	(14,456)	(15,173)	(23,822)
Operating earnings	303,376	249,184	683,882	561,224
Other nonoperating income, net	359	4,890	5,954	12,708
Interest expense, net	32,197	33,547	98,165	104,566
Earnings from continuing operations before income taxes	271,538	220,527	591,671	469,366
Income tax expense	53,472	40,663	111,764	75,805
Earnings from continuing operations	218,066	179,864	479,907	393,561
Loss on discontinued operations, net of tax	(2,353)	(713)	(3,338)	(1,778)
Net earnings	\$ 215,713	\$ 179,151	\$ 476,569	\$ 391,783
Other comprehensive income, net of tax				
Deferred gain on interest rate derivative	0	0	0	2,496
Amortization of prior interest rate derivative loss	57	53	169	171
Amortization of actuarial loss and prior service cost for benefit plans	286	1,091	856	3,274
Other comprehensive income	343	1,144	1,025	5,941
Comprehensive income	\$ 216,056	\$ 180,295	\$ 477,594	\$ 397,724
Basic earnings (loss) per share				
Continuing operations	\$ 1.65	\$ 1.36	\$ 3.63	\$ 2.97
Discontinued operations	(0.02)	(0.01)	(0.03)	(0.01)
Net earnings	\$ 1.63	\$ 1.35	\$ 3.60	\$ 2.96
Diluted earnings (loss) per share				
Continuing operations	\$ 1.63	\$ 1.34	\$ 3.60	\$ 2.94
Discontinued operations	(0.01)	0.00	(0.02)	(0.02)
Net earnings	\$ 1.62	\$ 1.34	\$ 3.58	\$ 2.92
Weighted-average common shares outstanding				
Basic	132,414	132,392	132,244	132,505
Assuming dilution	133,375	133,894	133,273	134,079
Depreciation, depletion, accretion and amortization	\$ 96,247	\$ 89,390	\$ 278,925	\$ 256,463
Effective tax rate from continuing operations	19.7%	18.4%	18.9%	16.2%

*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 CASH FLOWS**

<i>Unaudited</i> <i>in thousands</i>	<i>Nine Months Ended</i> <i>September 30</i>	
	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Net earnings	\$ 476,569	\$ 391,783
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation, depletion, accretion and amortization	278,925	256,463
Noncash operating lease expense	26,349	0
Net gain on sale of property, plant & equipment and businesses	(10,982)	(8,374)
Contributions to pension plans	(6,767)	(107,202)
Share-based compensation expense	24,815	21,650
Deferred tax expense (benefit)	62,232	76,779
Cost of debt purchase	0	6,922
Changes in assets and liabilities before initial effects of business acquisitions and dispositions	(221,001)	(67,836)
Other, net	15,989	2,446
Net cash provided by operating activities	\$ 646,129	\$ 572,631
<b>Investing Activities</b>		
Purchases of property, plant & equipment	(306,893)	(348,238)
Proceeds from sale of property, plant & equipment	12,112	12,838
Proceeds from sale of businesses	1,744	11,256
Payment for businesses acquired, net of acquired cash	1,122	(213,138)
Other, net	(11,342)	(12,216)
Net cash used for investing activities	\$ (303,257)	\$ (549,498)
<b>Financing Activities</b>		
Proceeds from short-term debt	366,900	514,900
Payment of short-term debt	(499,900)	(314,900)
Payment of current maturities and long-term debt	(17)	(892,049)
Proceeds from issuance of long-term debt	0	850,000
Debt issuance and exchange costs	0	(45,513)
Settlements of interest rate derivatives	0	3,378
Purchases of common stock	(2,602)	(99,916)
Dividends paid	(122,943)	(111,192)
Share-based compensation, shares withheld for taxes	(37,612)	(31,418)
Net cash used for financing activities	\$ (296,174)	\$ (126,710)
Net increase (decrease) in cash and cash equivalents and restricted cash	46,698	(103,577)
Cash and cash equivalents and restricted cash at beginning of year	44,404	146,646
Cash and cash equivalents and restricted cash at end of period	\$ 91,102	\$ 43,069

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

# 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 supplier of construction aggregates (primarily crushed stone, sand and gravel) and a major producer of asphalt mix and ready-mixed concrete.

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. We serve markets in twenty states, Washington D.C., and the local markets surrounding our operations in Mexico and the Bahamas. Our primary focus is serving metropolitan markets in the United States that are expected to experience the most significant growth in population, households and employment. These three demographic factors are significant drivers of demand for aggregates. While aggregates is our focus and primary business, we produce and sell asphalt mix and/or ready-mixed concrete in our Alabama, mid-Atlantic, Southwestern, Tennessee and Western markets.

### 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 (GAAP) for complete financial statements. We prepared the accompanying condensed consolidated financial statements on the same basis as our annual financial statements, except for the adoption of new accounting standards as described in Note 17. Our Condensed Consolidated Balance Sheet as of December 31, 2018 was derived from the audited financial statement, but it does not include all disclosures required by GAAP. 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 nine month periods ended September 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. 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 described within this Note under the caption Discontinued Operations, the results of the Chemicals business are presented as discontinued operations in the accompanying Condensed Consolidated Statements of Comprehensive Income.

### 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 and cash reserved by other contractual agreements (such as asset purchase agreements) for a specified purpose and therefore is not available for use for other purposes. The escrow accounts are administered by an intermediary. Cash restricted pursuant to like-kind exchange agreements remains restricted for a maximum of 180 days from the date of the property sale pending the acquisition of replacement property. Restricted cash is included with cash and cash equivalents in the accompanying Condensed Consolidated Statements of Cash Flows.

### LEASES

Beginning in 2019 (see ASU 2016-02, “Leases,” as presented in Note 17), our nonmineral leases are recognized on the balance sheet as right-of-use (ROU) assets and lease liabilities. Mineral leases continue to be exempt from balance sheet recognition.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. ROU assets are adjusted for any prepaid lease payments and lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

We elected the following practical expedients: (1) the practical expedient package which permits us to not reassess our prior conclusions about lease identification, lease classification, and initial direct costs; (2) to not separate the lease components from the non-lease components for all leases; (3) to apply a portfolio approach to our railcar and barge leases; (4) to not recognize ROU assets and lease liabilities for all pre-existing land easements not previously accounted for as leases; and (5) to not recognize ROU assets or lease liabilities for our short-term leases, including existing short-term leases of those assets in transition.

For additional information about leases see 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. Results from discontinued operations are as follows:

<i>in thousands</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Discontinued Operations</b>				
Pretax loss	\$ (3,167)	\$ (969)	\$ (4,506)	\$ (2,417)
Income tax benefit	814	256	1,168	639
Loss on discontinued operations, net of tax	\$ (2,353)	\$ (713)	\$ (3,338)	\$ (1,778)

Our discontinued operations include charges related to general and product liability costs, including legal defense costs, and environmental remediation costs associated with our former Chemicals business (including certain matters as discussed in Note 8). There were no revenues from discontinued operations for the periods presented.

## 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:

<i>in thousands</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Weighted-average common shares outstanding	132,414	132,392	132,244	132,505
Dilutive effect of				
Stock-Only Stock Appreciation Rights	525	905	662	1,021
Other stock compensation plans	436	597	367	553
Weighted-average common shares outstanding, assuming dilution	133,375	133,894	133,273	134,079

All dilutive common stock equivalents are reflected 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 would be excluded.

Antidilutive common stock equivalents are not included in our earnings per share calculations. The number of antidilutive common stock equivalents for which the exercise price exceeds the weighted-average market price is as follows:

<i>in thousands</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Antidilutive common stock equivalents	71	162	161	161

## NOTE 2: LEASES

Operating lease-related assets and liabilities (we do not have any material finance leases) reflected on our September 30, 2019 balance sheet and the weighted-average lease term and discount rate are as follows:

<i>in thousands</i>	<i>Classification on the Balance Sheet</i>	<b>September 30 2019</b>
<b>Assets</b>		
Operating lease right-of-use assets		\$ 435,986
Accumulated amortization		(25,153)
<b>Total lease assets</b>	<b>Operating lease right-of-use assets, net</b>	<b>\$ 410,833</b>
<b>Liabilities</b>		
Current		
Operating	Other current liabilities	\$ 30,282
Noncurrent		
Operating	Operating lease liabilities	391,079
<b>Total lease liabilities</b>		<b>\$ 421,361</b>
<b>Lease Term and Discount Rate</b>		
Weighted-average remaining lease term (years)		
Operating leases		9.6
Weighted-average discount rate		
Operating leases		4.4%

Our portfolio of nonmineral leases is composed almost entirely of operating leases for real estate (including office buildings, aggregates sales yards, and concrete and asphalt sites) and equipment (including railcars and rail track, barges, office equipment and plant equipment).

Our building leases have remaining noncancelable periods of 1 - 9 years, and lease terms (including options to extend) of 1 - 28 years. Key factors in determining the certainty of lease renewals include the location of the building, the value of leasehold improvements and the cost to relocate. Rental payments for certain of our building leases are periodically adjusted for inflation and this variable component is recognized as expense when incurred. Many of our building leases contain common area maintenance charges which we include in the calculation of our lease liability (the lease consideration is not allocated between the lease and non-lease components).

Our aggregates sales yard leases have remaining noncancelable periods of 0 - 30 years, and lease terms of 2 - 80 years. The key factor in determining the certainty of lease renewals is the financial impact of extending the lease, including the reserve life of the sourcing aggregates quarry. Certain aggregates sales yard lease agreements include rental payments based on a percentage of sales over contractual levels or the number of shipments received into the sales yard. Variable payments for these sales yards comprise a majority of the overall variable lease cost presented in the table below.

Our concrete and asphalt site leases have remaining noncancelable periods of 0 - 97 years, and lease terms of 1 - 97 years. The key factor in determining the certainty of lease renewals is the financial impact of extending the lease, including the reserve life of the sourcing aggregates quarry. Rental payments are generally fixed for our concrete and asphalt sites.

Our rail (car and track) leases have remaining noncancelable periods of 0 - 7 years, and lease terms of 2 - 76 years. Key factors in determining the certainty of lease renewals include the market rental rate for comparable assets and, in some cases, the cost incurred to restore the asset. Rental payments are fixed for our rail leases. The majority of our rail leases contain substitution rights that allow the supplier to replace damaged equipment. Because these rights are generally limited to either replacing railcars or moving our placement on rail track for purposes of repair or maintenance, we do not consider these substitution rights to be substantive and have recorded a lease liability and ROU asset for all leased rail.

Our barge leases have remaining noncancelable periods of 2 - 3 years, and lease terms of 10 - 16 years. Key factors in determining the certainty of lease renewals include the market rental rate for comparable assets and, in some cases, the cost incurred to restore the asset. Rental payments are fixed. Like our rail leases, our barge leases contain non-substantive substitution rights that are limited to replacing barges in need of repair or maintenance.

Office and plant equipment leases have remaining noncancelable periods of 0 - 4 years, and lease terms of 0 - 4 years. The key factor in determining the certainty of lease renewals is the market rental rate for comparable assets. Rental payments are generally fixed for our equipment leases with terms greater than 1 year. The significant majority of our short-term lease cost presented in the table below is derived from office and plant equipment leases with terms of 1 year or less.

Our lease agreements do not contain residual value guarantees, restrictive covenants or early termination options that we deem material.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. The components of operating lease expense are as follows:

<i>in thousands</i>	<i>Three Months Ended</i> <i>September 30</i>	<i>Nine Months Ended</i> <i>September 30</i>
	<i>2019</i>	<i>2019</i>
<b>Lease Cost</b>		
Operating lease cost	\$ 14,057	\$ 42,352
Short-term lease cost <sup>1</sup>	8,756	25,378
Variable lease cost	3,637	10,194
Sublease income	(774)	(2,192)
<b>Total lease cost</b>	<b>\$ 25,676</b>	<b>\$ 75,732</b>

<sup>1</sup> We have elected to recognize the cost of leases with an initial term of one month or less within our short-term lease cost.

Total operating lease expense for the prior year's three and nine months ended September 30, 2018 was \$22,539,000 and \$68,859,000, respectively.

Cash paid for operating leases was \$39,326,000 for the nine months ended September 30, 2019 and was reflected as a reduction to operating cash flows.

Maturity analysis on an undiscounted basis of our operating lease liabilities as of September 30, 2019 is as follows:

<i>in thousands</i>	<i>Operating</i> <i>Leases</i>
<b>Maturity of Lease Liabilities</b>	
2019 (remainder)	\$ 13,260
2020	49,226
2021	45,559
2022	41,185
2023	36,641
Thereafter	607,307
Total minimum lease payments	\$ 793,178
Less: Lease payments representing interest	371,817
Present value of future minimum lease payments	\$ 421,361
Less: Current obligations under leases	30,282
<b>Long-term lease obligations</b>	<b>\$ 391,079</b>

Future minimum operating lease payments under leases with initial or remaining noncancelable lease terms in excess of one year, exclusive of mineral leases, as of December 31, 2018 were payable as follows:

<i>in thousands</i>	
<b>Future Minimum Operating Lease Payments</b>	
2019	\$ 47,979
2020	43,540
2021	35,732
2022	27,463
2023	19,707
Thereafter	195,104
<b>Total</b>	<b>\$ 369,525</b>

### **NOTE 3: INCOME TAXES**

Our estimated annual effective tax rate (EAETR) is based on full-year expectations of pretax 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, 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 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.

In the third quarter of 2019, we recorded income tax expense from continuing operations of \$53,472,000 compared to income tax expense from continuing operations of \$40,663,000 in the third quarter of 2018. The increase in tax expense was primarily related to the increase in earnings.

For the first nine months of 2019, we recorded income tax expense from continuing operations of \$111,764,000 compared to income tax expense from continuing operations of \$75,805,000 for the first nine months of 2018. The increase in tax expense was primarily related to the increase in earnings.

We recognize deferred tax assets and liabilities (which reflect our best assessment of the future taxes we will pay) based on the differences between the book basis and tax basis of assets and liabilities. Deferred tax assets represent items to be used as a tax deduction or credit in future tax returns while deferred tax liabilities represent items that will result in additional tax in future tax returns.

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. At December 31, 2019, we project state net operating loss carryforward deferred tax assets of \$67,064,000 (\$64,619,000 relates to Alabama), against which we project to have a valuation allowance of \$29,678,000 (\$29,183,000 relates to Alabama). The Alabama net operating loss carryforward, if not utilized, would expire in years 2023 – 2032.

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, 2018.

### **NOTE 4: REVENUES**

Revenues are measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales and other taxes we collect are excluded from revenues. Costs to obtain and fulfill contracts (primarily asphalt construction paving contracts) are immaterial and are expensed as incurred when the expected amortization period is one year or less.

Total revenues are primarily derived from our product sales of aggregates (crushed stone, sand and gravel, sand and other aggregates), asphalt mix and ready-mixed concrete, and include freight & delivery costs that we pass along to our customers to deliver these products. We also generate service revenues from our asphalt construction paving business and service revenues related to our aggregates business, such as landfill tipping fees. Our total service revenues were \$75,508,000 and \$70,385,000 for the three months ended September 30, 2019 and 2018, respectively, and \$175,280,000 and \$145,127,000 for the nine months ended September 30, 2019 and 2018, respectively.

Our products typically are sold to private industry and not directly to governmental entities. Although approximately 45% to 55% of our aggregates shipments have historically been used in publicly funded construction, such as highways, airports and government buildings, relatively insignificant sales are made directly to federal, state, county or municipal governments/agencies. Therefore, although reductions in state and federal funding can curtail publicly-funded construction, our aggregates business is not directly subject to renegotiation of profits or termination of contracts with state or federal governments.

Our segment total revenues by geographic market for the three and nine month periods ended September 30, 2019 and 2018 are disaggregated as follows:

<i>in thousands</i>	<b>Three Months Ended September 30, 2019</b>				
	<i>Aggregates</i>	<i>Asphalt</i>	<i>Concrete</i>	<i>Calcium</i>	<i>Total</i>
<b>Total Revenues by Geographic Market <sup>1</sup></b>					
East	\$ 387,291	\$ 59,156	\$ 74,446	\$ 0	\$ 520,893
Gulf Coast	565,607	63,803	18,338	2,119	649,867
West	180,187	147,278	20,180	0	347,645
Segment sales	\$ 1,133,085	\$ 270,237	\$ 112,964	\$ 2,119	\$ 1,518,405
Intersegment sales	(99,647)	0	0	0	(99,647)
<b>Total revenues</b>	<b>\$ 1,033,438</b>	<b>\$ 270,237</b>	<b>\$ 112,964</b>	<b>\$ 2,119</b>	<b>\$ 1,418,758</b>

<i>in thousands</i>	<b>Three Months Ended September 30, 2018</b>				
	<i>Aggregates</i>	<i>Asphalt</i>	<i>Concrete</i>	<i>Calcium</i>	<i>Total</i>
<b>Total Revenues by Geographic Market <sup>1</sup></b>					
East	\$ 331,147	\$ 52,263	\$ 65,971	\$ 0	\$ 449,381
Gulf Coast	489,299	47,220	14,441	1,912	552,872
West	163,285	132,217	21,307	0	316,809
Segment sales	\$ 983,731	\$ 231,700	\$ 101,719	\$ 1,912	\$ 1,319,062
Intersegment sales	(78,865)	0	0	0	(78,865)
<b>Total revenues</b>	<b>\$ 904,866</b>	<b>\$ 231,700</b>	<b>\$ 101,719</b>	<b>\$ 1,912</b>	<b>\$ 1,240,197</b>

<i>in thousands</i>	<b>Nine Months Ended September 30, 2019</b>				
	<i>Aggregates</i>	<i>Asphalt</i>	<i>Concrete</i>	<i>Calcium</i>	<i>Total</i>
<b>Total Revenues by Geographic Market <sup>1</sup></b>					
East	\$ 951,543	\$ 123,764	\$ 200,033	\$ 0	\$ 1,275,340
Gulf Coast	1,615,987	157,581	49,709	6,073	1,829,350
West	462,581	368,145	50,627	0	881,353
Segment sales	\$ 3,030,111	\$ 649,490	\$ 300,369	\$ 6,073	\$ 3,986,043
Intersegment sales	(243,092)	0	0	0	(243,092)
<b>Total revenues</b>	<b>\$ 2,787,019</b>	<b>\$ 649,490</b>	<b>\$ 300,369</b>	<b>\$ 6,073</b>	<b>\$ 3,742,951</b>

<i>in thousands</i>	<b>Nine Months Ended September 30, 2018</b>				
	<i>Aggregates</i>	<i>Asphalt</i>	<i>Concrete</i>	<i>Calcium</i>	<i>Total</i>
<b>Total Revenues by Geographic Market <sup>1</sup></b>					
East	\$ 827,605	\$ 113,331	\$ 197,146	\$ 0	\$ 1,138,082
Gulf Coast	1,377,568	100,708	57,994	6,136	1,542,406
West	434,480	333,324	54,264	0	822,068
Segment sales	\$ 2,639,653	\$ 547,363	\$ 309,404	\$ 6,136	\$ 3,502,556
Intersegment sales	(207,734)	0	0	0	(207,734)
<b>Total revenues</b>	<b>\$ 2,431,919</b>	<b>\$ 547,363</b>	<b>\$ 309,404</b>	<b>\$ 6,136</b>	<b>\$ 3,294,822</b>

<sup>1</sup> The geographic markets are defined by states/countries as follows:

East market — Arkansas, Delaware, Illinois, Kentucky, Maryland, North Carolina, Pennsylvania, Tennessee, Virginia, and Washington D.C.

Gulf Coast market — Alabama, Florida, Georgia, Louisiana, Mexico, Mississippi, Oklahoma, South Carolina, Texas and the Bahamas

West market — Arizona, California and New Mexico

## PRODUCT REVENUES

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; generally this occurs at a point in time when our aggregates, asphalt mix and ready-mixed concrete are shipped/delivered and control passes to the customer. Revenue for our products is recorded at the fixed invoice amount and payment is due by the 15<sup>th</sup> day of the following month — we do not offer discounts for early payment.

Freight & delivery generally represents pass-through transportation we incur (including our administrative costs) and pay to third-party carriers to deliver our products to customers and are accounted for as a fulfillment activity. Likewise, the costs related to freight & delivery are included in cost of revenues.

Freight & delivery revenues are as follows:

<i>in thousands</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30</i>		<i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Freight &amp; Delivery Revenues</b>				
Total revenues	<b>\$ 1,418,758</b>	\$ 1,240,197	<b>\$ 3,742,951</b>	\$ 3,294,822
Freight & delivery revenues <sup>1</sup>	<b>(206,929)</b>	(175,194)	<b>(566,330)</b>	(476,491)
Total revenues excluding freight & delivery	<b>\$ 1,211,829</b>	\$ 1,065,003	<b>\$ 3,176,621</b>	\$ 2,818,331

<sup>1</sup> Includes freight & delivery to remote distribution sites.

## CONSTRUCTION PAVING SERVICE REVENUES

Revenue from our asphalt construction paving business is recognized over time using the percentage-of-completion method under the cost approach. The percentage of completion is determined by costs incurred to date as a percentage of total costs estimated for the project. Under this approach, recognized contract revenue equals the total estimated contract revenue multiplied by the percentage of completion. Our construction contracts are unit priced and an account receivable is recorded for amounts invoiced based on actual units produced. Contract assets for estimated earnings in excess of billings, contract assets related to retainage provisions and contract liabilities for billings in excess of costs are immaterial. Variable consideration in our construction paving contracts is immaterial and consists of incentives and penalties based on the quality of work performed. Our construction paving contracts may contain warranty provisions covering defects in equipment, materials, design or workmanship that generally run from nine months to one year after project completion. Due to the nature of our construction paving projects, including contract owner inspections of the work during construction and prior to acceptance, we have not experienced material warranty costs for these short-term warranties.

## VOLUMETRIC PRODUCTION PAYMENT DEFERRED REVENUES

In 2013 and 2012, we sold a percentage interest in certain future aggregates production for net cash proceeds of \$226,926,000. These transactions, structured as volumetric production payments (VPPs):

- relate to eight quarries in Georgia and South Carolina
- provide the purchaser solely with a nonoperating percentage interest in the subject quarries' aggregates production
- contain no minimum annual or cumulative guarantees by us for production or sales volume, nor minimum sales price
- are both volume and time limited (we expect the transactions will last approximately 25 years, limited by volume rather than time)

We are the exclusive sales agent for, and transmit quarterly to the purchaser the proceeds from the sale of, the purchaser's share of aggregates production. Our consolidated total revenues exclude the revenue from the sale of the purchaser's share of aggregates.

The proceeds we received from the sale of the percentage interest were recorded as deferred revenue on the balance sheet. We recognize revenue on a unit-of-sales basis (as we sell the purchaser's share of production) relative to the volume limitations of the transactions. Given the nature of the risks and potential rewards assumed by the buyer, the transactions do not reflect financing activities.

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

<i>in thousands</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Deferred Revenue</b>				
Balance at beginning of period	\$ 189,052	\$ 196,296	\$ 192,783	\$ 199,556
Revenue recognized from deferred revenue	(2,125)	(1,997)	(5,856)	(5,257)
Balance at end of period	\$ 186,927	\$ 194,299	\$ 186,927	\$ 194,299

Based on expected sales from the specified quarries, we expect to recognize \$7,500,000 of VPP deferred revenue as income during the 12-month period ending September 30, 2020 (reflected in other current liabilities in our September 30, 2019 Condensed Consolidated Balance Sheet).

## 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:

<i>in thousands</i>	<i>Level 1 Fair Value</i>		
	<i>September 30</i> <i>2019</i>	<i>December 31</i> <i>2018</i>	<i>September 30</i> <i>2018</i>
<b>Fair Value Recurring</b>			
Rabbi Trust			
Mutual funds	\$ 22,667	\$ 19,164	\$ 21,504
Total	\$ 22,667	\$ 19,164	\$ 21,504

<i>in thousands</i>	<i>Level 2 Fair Value</i>		
	<i>September 30</i> <i>2019</i>	<i>December 31</i> <i>2018</i>	<i>September 30</i> <i>2018</i>
<b>Fair Value Recurring</b>			
Rabbi Trust			
Money market mutual fund	\$ 190	\$ 1,015	\$ 1,332
Total	\$ 190	\$ 1,015	\$ 1,332

We have 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 for which quoted prices in active markets are available. Level 2 investments are stated at estimated fair value based on the underlying investments in the fund (short-term, highly liquid assets in commercial paper, short-term bonds and certificates of deposit).

Net gains (losses) of the Rabbi Trust investments were \$2,843,000 and \$(222,000) for the nine months ended September 30, 2019 and 2018, respectively. The portions of the net gains (losses) related to investments still held by the Rabbi Trusts at September 30, 2019 and 2018 were \$2,879,000 and \$(214,000), respectively.

The carrying values of our cash equivalents, restricted cash, accounts and notes receivable, short-term debt, trade payables and accruals, and all 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.

## NOTE 6: DERIVATIVE INSTRUMENTS

During the normal course of operations, we are exposed to market risks including interest rates, foreign currency exchange rates and commodity prices. From time to time, and consistent with our risk management policies, we use derivative instruments to balance the cost and risk of such exposure. We do not use derivative instruments for trading or other speculative purposes.

In 2007 and 2018, we entered into interest rate locks of future debt issuances to hedge the risk of higher interest rates. These interest rate locks were designated as cash flow hedges. The gain/loss upon settlement of these interest rate hedges is deferred (recorded in AOCI) and 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:

<i>in thousands</i>	<i>Location on Statement</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
		<i>September 30</i>		<i>September 30</i>	
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Interest Rate Hedges</b>					
Loss reclassified from AOCI (effective portion)	Interest expense	\$ (78)	\$ (72)	\$ (229)	\$ (232)

For the 12-month period ending September 30, 2020, we estimate that \$325,000 of the \$11,011,000 net of tax loss in AOCI will be reclassified to interest expense.

## NOTE 7: DEBT

Debt is detailed as follows:

<i>in thousands</i>	<i>Effective Interest Rates</i>	<b>September 30 2019</b>	<i>December 31 2018</i>	<i>September 30 2018</i>
<b>Short-term Debt</b>				
Bank line of credit expires 2021 <sup>1, 2</sup>	1.25%	\$ 0	\$ 133,000	\$ 200,000
Total short-term debt		\$ 0	\$ 133,000	\$ 200,000
<b>Long-term Debt</b>				
Bank line of credit expires 2021 <sup>1</sup>		\$ 0	\$ 0	\$ 0
Floating-rate notes due 2020 <sup>3</sup>	3.06%	250,000	250,000	250,000
Floating-rate notes due 2021	2.99%	500,000	500,000	500,000
8.85% notes due 2021	8.88%	6,000	6,000	6,000
4.50% notes due 2025	4.65%	400,000	400,000	400,000
3.90% notes due 2027	4.00%	400,000	400,000	400,000
7.15% notes due 2037	8.05%	129,239	129,239	129,239
4.50% notes due 2047	4.59%	700,000	700,000	700,000
4.70% notes due 2048	5.42%	460,948	460,949	460,949
Other notes	6.46%	191	208	214
Total long-term debt - face value		\$ 2,846,378	\$ 2,846,396	\$ 2,846,402
Unamortized discounts and debt issuance costs		(63,286)	(67,016)	(68,250)
Total long-term debt - book value		\$ 2,783,092	\$ 2,779,380	\$ 2,778,152
Less current maturities		24	23	23
Total long-term debt - reported value		\$ 2,783,068	\$ 2,779,357	\$ 2,778,129
Estimated fair value of long-term debt		\$ 3,036,337	\$ 2,695,802	\$ 2,743,429

<sup>1</sup> Borrowings on the bank line of credit are classified as short-term debt if we intend to repay within twelve months and as long-term debt if we have the intent and ability to extend payment beyond twelve months.

<sup>2</sup> The effective interest rate reflects the margin above LIBOR for LIBOR-based borrowings. We also paid upfront fees that are amortized to interest expense and pay fees for unused borrowing capacity and standby letters of credit.

<sup>3</sup> This debt is classified as long-term since we intend to refinance it and have the ability to do so by borrowing on our line of credit.

Discounts and debt issuance costs are amortized using the effective interest method over the terms of the respective notes resulting in \$3,730,000 and \$3,927,000 of net interest expense for these items for the nine months ended September 30, 2019 and 2018, respectively.

### LINE OF CREDIT

Our unsecured \$750,000,000 line of credit matures December 2021 and contains affirmative, negative and financial covenants customary for an unsecured investment-grade 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 (upon certain acquisitions, the maximum ratio can be 3.75:1 for three quarters), and (2) a minimum ratio of EBITDA to net cash interest expense of 3.0:1. As of September 30, 2019, we were in compliance with the line of credit covenants.

Borrowings on our line of credit are classified as short-term debt if we intend to repay within twelve months and as long-term debt if we have the intent and ability to extend repayment beyond twelve months. Borrowings bear interest, at our option, at either LIBOR plus a credit margin ranging from 1.00% to 1.75%, or SunTrust Bank's base rate (generally, its prime rate) plus a credit margin ranging from 0.00% to 0.75%. The credit margin for both LIBOR and base rate borrowings is determined by our credit ratings. 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 0.25% determined by our credit ratings. As of September 30, 2019, the credit margin for LIBOR borrowings was 1.25%, the credit margin for base rate borrowings was 0.25%, and the commitment fee for the unused amount was 0.15%.

As of September 30, 2019, our available borrowing capacity was \$696,750,000. Utilization of the borrowing capacity was as follows:

- none was borrowed
- \$53,250,000 was used to provide support for outstanding standby letters of credit

## TERM DEBT

All of our \$2,846,378,000 (face value) of term debt is unsecured. \$2,846,187,000 of such debt is governed by three essentially identical indentures that contain customary investment-grade type covenants. The primary covenant in all three indentures limits the amount of secured debt we may incur without ratably securing such debt. As of September 30, 2019, we were in compliance with all term debt covenants.

In December 2018, we completed an exchange offer in which all of the \$460,949,000 of 4.70% senior unregistered notes due 2048 (issued in February 2018 and March 2018 as described below) were exchanged for new registered notes of like principal amount and like denomination as the unregistered notes, with substantially identical terms. We did not receive any proceeds from the issuance of the new notes.

In March 2018, we early retired via exchange offer \$110,949,000 of the \$240,188,000 7.15% senior notes due 2037 for: (1) a like amount of notes due 2048 (these notes are a further issuance of, and form a single series with, the \$350,000,000 of 4.70% senior notes due 2048 issued in February 2018 as described below) and (2) \$38,164,000 of cash. The cash payment primarily reflects the trading price of the retired notes relative to par and will be amortized to interest expense over the term of the notes due 2048. We recognized transaction costs of \$1,314,000 with this early retirement.

In February 2018, we issued \$350,000,000 of 4.70% senior notes due 2048 (these notes now total \$460,949,000 including the notes issued in March as described above) and \$500,000,000 of floating-rate senior notes due 2021. Total proceeds of \$846,029,000 (net of discounts, transaction costs and an interest rate derivative settlement gain), together with cash on hand, were used to retire/repay without penalty or premium: (1) the \$350,000,000 term loan due 2018, (2) the \$250,000,000 term loan due 2021, and (3) the \$250,000,000 bank line of credit borrowings. We recognized noncash expense of \$203,000 with the acceleration of unamortized deferred transaction costs.

In January 2018, we early retired via redemption the remaining \$35,111,000 of the 7.50% senior notes due 2021 at a cost of \$40,719,000 including a premium of \$5,608,000. Additionally, we recognized noncash expense of \$263,000 with the acceleration of unamortized deferred transaction costs.

As a result of the first quarter 2018 early debt retirements described above, we recognized premiums of \$5,608,000, transaction costs of \$1,314,000 and noncash expense (acceleration of unamortized deferred transaction costs) of \$466,000. The combined charge of \$7,388,000 was a component of interest expense for the three and nine months ended September 30, 2018.

## STANDBY LETTERS OF CREDIT

We provide, in the normal course of business, certain third-party beneficiaries with 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 canceled 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 September 30, 2019 are summarized by purpose in the table below:

*in thousands*

<b>Standby Letters of Credit</b>	
Risk management insurance	\$ 45,331
Reclamation/restoration requirements	7,919
<b>Total</b>	<b>\$ 53,250</b>

## NOTE 8: COMMITMENTS AND CONTINGENCIES

As summarized by purpose directly above in Note 7, our standby letters of credit totaled \$53,250,000 as of September 30, 2019.

As described in Note 2, our nonmineral operating lease liabilities totaled \$421,361,000 as of September 30, 2019.

As described in Note 9, our asset retirement obligations totaled \$224,067,000 as of September 30, 2019.

### LITIGATION AND ENVIRONMENTAL MATTERS

We are subject to occasional governmental proceedings and orders pertaining to occupational safety and health or to protection of the environment, such as proceedings or orders relating to noise abatement, air emissions or water discharges. As part of our continuing program of stewardship in safety, health and environmental matters, we have been able to resolve such proceedings and to comply with such orders without any material adverse effects on our business.

We have received notices from the United States Environmental Protection Agency (EPA) or similar state or local agencies that we are considered a potentially responsible party (PRP) at a limited number of sites under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund) or similar state and local environmental laws. Generally, we share the cost of remediation at these sites with other PRPs or alleged PRPs in accordance with negotiated or prescribed allocations. There is inherent uncertainty in determining the potential cost of remediating a given site and in determining any individual party's share in that cost. As a result, estimates can change substantially as additional information becomes available regarding the nature or extent of site contamination, remediation methods, other PRPs and their probable level of involvement, and actions by or against governmental agencies or private parties.

We have reviewed the nature and extent of our involvement at each Superfund site, as well as potential obligations arising under other federal, state and local environmental laws. While ultimate resolution and financial liability is uncertain at a number of the sites, in our opinion based on information currently available, the ultimate resolution of claims and assessments related to these sites will not have a material effect on our consolidated results of operations, financial position or cash flows, although amounts recorded in a given period could be material to our results of operations or cash flows for that period.

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 (DISCONTINUED OPERATIONS and 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, CPG) to a May 2007 Administrative Order on Consent (AOC) with the EPA to perform a Remedial Investigation/Feasibility Study (draft RI/FS) of the lower 17 miles of the Passaic River (River). The draft RI/FS was submitted recommending a targeted hot spot remedy; however, the EPA issued a record of decision (ROD) in March 2016 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 \$1.38 billion. In September 2016, the EPA entered into an Administrative Settlement Agreement and Order on Consent with Occidental Chemical Corporation (Occidental) in which Occidental agreed to undertake the remedial design for this bank-to-bank dredging remedy, and to reimburse the United States for certain response costs.

In August 2017, the EPA informed certain members of the CPG, including Vulcan, that it planned to use the services of a third-party allocator with the expectation of offering cash-out settlements to some parties in connection with the bank-to-bank remedy. This voluntary allocation process is intended to establish an impartial third-party expert recommendation that may be considered by the government and the participants as the basis of possible settlements. We have begun participating in this voluntary allocation process, which is likely to take several years.

In July 2018, Vulcan, along with more than one hundred other defendants, was sued by Occidental in United States District Court for the District of New Jersey, Newark Vicinage. Occidental is seeking cost recovery and contribution under CERCLA. It is unknown at this time whether the filing of the Occidental lawsuit will impact the EPA allocation process.

In October 2018, the EPA ordered the CPG to prepare a streamlined feasibility study specifically for the upper 9 miles of the River. This directive is focused on dioxin and covers the remaining portion of the River not included in the EPA's March 2016 ROD.

Efforts to remediate the River have been underway for many years and have involved hundreds of entities that have had operations on or near the River at some point during the past several decades. We formerly owned a chemicals operation near the mouth of the River, which was sold in 1974. The major risk drivers in the River have been identified as dioxins, PCBs, DDx and mercury. We did not manufacture any of these risk drivers and have no evidence that any of these were discharged into the River by Vulcan.

The AOC does not obligate us to fund or perform the remedial action contemplated by either the draft RI/FS or the ROD. Furthermore, the parties who will participate in funding the remediation and their respective allocations have not been determined. We do not agree that a bank-to-bank remedy is warranted, and we are not obligated to fund any of the remedial action at this time; nevertheless, we previously estimated the cost to be incurred by us as a potential participant in a bank-to-bank dredging remedy and recorded an immaterial loss for this matter in 2015.

- **TEXAS BRINE MATTER (DISCONTINUED OPERATIONS)** — During the operation of its former Chemicals Division, Vulcan secured the right to mine salt out of an underground salt dome formation in Assumption Parish, Louisiana from 1976 - 2005. Throughout that period and for all times thereafter, the Texas Brine Company (Texas Brine) was the operator contracted by Vulcan (and later Occidental) to mine and deliver the salt. We sold our Chemicals Division in 2005 and transferred our rights and interests related to the salt and mining operations to the purchaser, a subsidiary of Occidental, and we have had no association with the leased premises or Texas Brine since that time. In August 2012, a sinkhole developed in the vicinity of the Texas Brine mining operations, and numerous lawsuits were filed in state court in Assumption Parish, Louisiana. Other lawsuits, including class action litigation, were also filed in federal court before the Eastern District of Louisiana in New Orleans.

There are numerous defendants, including Texas Brine and Occidental, 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. We have since been added as a direct and third-party defendant by other parties, including a direct claim by the state of Louisiana. Damage categories encompassed within the litigation include individual plaintiffs' claims for property damage, a claim by the state of Louisiana for response costs and civil penalties, claims by Texas Brine for response costs and lost profits, claims for physical damages to nearby oil and gas pipelines and storage facilities (pipelines), and business interruption claims.

In addition to the plaintiffs' claims, we were also sued for contractual indemnity and comparative fault by both Texas Brine and Occidental. It is alleged that the sinkhole was caused, in whole or in part, by our negligent actions or failure to act. It is also alleged that we breached the salt lease with Occidental, as well as an operating agreement and related contracts with Texas Brine; that we are strictly liable for certain property damages in our capacity as a former lessee of the salt lease; and that we violated certain covenants and conditions in the agreement under which we sold our Chemicals Division to Occidental. We likewise made claims for contractual indemnity and on a basis of comparative fault against Texas Brine and Occidental. Vulcan and Occidental have since dismissed all of their claims against one another. Texas Brine has claims that remain pending against Vulcan and against Occidental.

A bench trial (judge only) began in September 2017 and ended in October 2017 in the pipeline cases. The trial was limited in scope to the allocation of comparative fault or liability for causing the sinkhole, with a damages phase of the trial to be held at a later date. In December 2017, the judge issued a ruling on the allocation of fault among the three defendants as follows: Occidental 50%, Texas Brine 35% and Vulcan 15%. This ruling has been appealed by the parties.

We have settled all except two outstanding cases and our insurers to date have funded these settlements in excess of our self-insured retention amount. The remaining cases involve Texas Brine and the state of Louisiana. Discovery remains ongoing and we cannot reasonably estimate a range of liability pertaining to these open cases at this time.

- **NEW YORK WATER DISTRICT CASES (DISCONTINUED OPERATIONS)** — During the operation of our former Chemicals Division, which was divested to Occidental in 2005, Vulcan manufactured a chlorinated solvent known as 1,1,1-trichloroethane. We are a defendant in 24 cases allegedly involving 1,1,1-trichloroethane. All of the cases are filed in the United States District Court for the Eastern District of New York. According to the various complaints, the plaintiffs are public drinking water providers who serve customers in Nassau County and Suffolk County, New York. It is alleged that our 1,1,1-trichloroethane was stabilized with 1,4-dioxane and that various water wells of the plaintiffs are contaminated with 1,4-dioxane. The plaintiffs are seeking unspecified compensatory and punitive damages. We will vigorously defend the cases. At this time we cannot determine the likelihood or reasonably estimate a range of loss, if any, pertaining to the cases.
- **HEWITT LANDFILL MATTER (SUPERFUND SITE)** — In September 2015, the Los Angeles Regional Water Quality Control Board (RWQCB) issued a Cleanup and Abatement Order (CAO) directing Vulcan to assess, monitor, cleanup and abate wastes that have been discharged to soil, soil vapor, and/or groundwater at the former Hewitt Landfill in Los Angeles. The CAO follows a 2014 Investigative Order from the RWQCB that sought data and a technical evaluation regarding the Hewitt Landfill, and a subsequent amendment to the Investigative Order requiring us to provide groundwater monitoring results to the RWQCB and to create and implement a work plan for further investigation of the Hewitt Landfill. In April 2016, we submitted an interim remedial action plan (IRAP) to the RWQCB, proposing an on-site pilot test of a pump and treat system; testing and implementation of a leachate recovery system; and storm water capture and conveyance improvements.

Operation of the on-site pilot-scale treatment system began in January 2017, and was completed in April 2017. With completion of the pilot testing and other investigative work, we submitted an amendment to the IRAP (AIRAP) to RWQCB in August 2017 proposing the use of a pump, treat and reinjection system. In December 2017, we submitted an addendum to the AIRAP, incorporating new data acquired since the prior submission. In February 2018, the AIRAP was approved by RWQCB. As a result of this approval, we have begun to implement the on-site source control activities described in the AIRAP. During 2018, we accrued a total of \$19,032,000 (Q3 - \$8,640,000 and Q4 - \$10,392,000) for the on-site remedy, bringing the life-to-date total to \$34,271,000.

We are also engaged in an ongoing dialogue with the EPA, the Los Angeles Department of Water and Power, and other stakeholders regarding the potential contribution of the Hewitt Landfill to groundwater contamination in the North Hollywood Operable Unit (NHOU) of the San Fernando Valley Superfund Site. We are gathering and analyzing data and developing 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 PRPs that may have contributed to groundwater contamination in the area.

The EPA and Vulcan entered into an AOC and Statement of Work having an effective date of September 2017 for the design of two extraction wells south of the Hewitt Site to protect the North Hollywood West (NHW) well field. In November 2017, we submitted a Pre-Design Investigation (PDI) Work Plan to the EPA, which sets forth the activities and schedule for our evaluation of the need for a two-well remedy. These activities were completed between the first and third quarters of 2018, and in December 2018 we submitted a PDI Evaluation Report to the EPA. The PDI Evaluation Report summarizes data collection activities conducted pursuant to the PDI Work Plan, and provides model updates and evaluation of remediation alternatives to protect the NHW and Rinaldi-Toluca well fields from 1,4-dioxane from the Hewitt Site. In May 2019, the EPA provided an initial set of comments on the PDI Evaluation Report, but has not yet provided additional, final comments. Vulcan has not yet received final comments from the EPA on the report. Until the EPA's review of the PDI Evaluation Report is complete and an effective remedy can be agreed upon, we cannot identify an appropriate remedial action. Given the various stakeholders involved and the uncertainties relating to issues such as testing, monitoring, and remediation alternatives, we cannot reasonably estimate a loss pertaining to this matter.

- **NAFTA ARBITRATION** — In September 2018, our subsidiary Legacy Vulcan, LLC (Legacy Vulcan), on its own behalf, and on behalf of our Mexican subsidiary Calizas Industriales del Carmen, S.A. de C.V. (Calica), served the United Mexican States (Mexico) a Notice of Intent to Submit a Claim to Arbitration under Chapter 11 of the North American Free Trade Agreement (NAFTA). Our NAFTA claim relates to the treatment of a portion of our quarrying operations in the State of Quintana Roo, in Mexico's Yucatan Peninsula, arising from, among other measures, Mexico's failure to comply with a legally binding zoning agreement and relates to other unfair, arbitrary and capricious actions by Mexico's environmental enforcement agency. We assert that these actions are in breach of Mexico's international obligations under NAFTA and international law.

As required by Article 1118 of NAFTA, we sought to settle this dispute with Mexico through consultations. Notwithstanding our good faith efforts to resolve the dispute amicably, we were unable to do so and filed a Request for Arbitration, which we filed with the International Centre for Settlement of Investment Disputes (ICSID) in December 2018. In January 2019, ICSID registered our Request for Arbitration.

We expect that the NAFTA arbitration will take at least two years to be concluded. At this time, there can be no assurance whether we will be successful in our NAFTA claim, and we cannot quantify the amount we may recover, if any, under this arbitration proceeding if we were successful.

Item 103 of Regulation S-K requires disclosure of certain environmental matters when a governmental authority is a party to the proceedings, or such proceedings are known to be contemplated, unless we reasonably believe that the matter will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than \$100,000. The following matter is disclosed in accordance with that requirement. In June 2019, we received from the EPA a draft administrative order, followed in October 2019 with a proposed penalty of \$193,750, to settle alleged violations of the Clean Water Act noted during a series of EPA inspections conducted in March and May 2017 and May 2018 at one of our aggregates sites. We are negotiating the draft order with the EPA and expect to enter into a settlement. The draft order does not contain requirements for groundwater clean-up or capital expenditure. We do not currently believe that the eventual outcome of such matter could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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. These AROs relate to our underlying land parcels, including both owned properties and mineral leases. ARO operating costs related to accretion of the liabilities and depreciation of the assets are as follows:

<i>in thousands</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30</i>		<i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>ARO Operating Costs</b>				
Accretion	\$ 2,744	\$ 2,684	\$ 8,194	\$ 8,036
Depreciation	1,720	1,512	5,361	4,192
<b>Total</b>	<b>\$ 4,464</b>	<b>\$ 4,196</b>	<b>\$ 13,555</b>	<b>\$ 12,228</b>

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:

<i>in thousands</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Asset Retirement Obligations</b>				
Balance at beginning of period	\$ 223,497	\$ 215,421	\$ 225,726	\$ 218,117
Liabilities incurred	0	0	263	0
Liabilities settled	(2,684)	(2,649)	(9,650)	(10,476)
Accretion expense	2,744	2,684	8,194	8,036
Revisions, net	510	10,628	(466)	10,407
Balance at end of period	\$ 224,067	\$ 226,084	\$ 224,067	\$ 226,084

ARO liabilities settled during the first nine months of 2019 and 2018 include \$2,403,000 and \$6,108,000, respectively, of reclamation activities required under a development agreement and conditional use permits at two adjacent aggregates sites on owned property in Southern California. The reclamation required under the reclamation agreement will result in the restoration of 90 acres of previously mined property to conditions suitable for retail and commercial development.

## NOTE 10: BENEFIT PLANS

### PENSION PLANS

We sponsor three qualified, noncontributory defined benefit pension plans. These plans cover substantially all employees hired before July 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.

In 2005, benefit accruals for our Chemicals Hourly Plan participants ceased upon the sale of our Chemicals business. Effective July 2007, we amended our defined benefit pension plans to no longer accept new participants. Future benefit accruals for participants in our salaried defined benefit pension plans ceased on December 31, 2013, while salaried participants' earnings considered for benefit calculations were frozen on December 31, 2015.

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

<i>in thousands</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>PENSION BENEFITS</b>				
<b>Components of Net Periodic Benefit Cost</b>				
Service cost	\$ 1,248	\$ 1,429	\$ 3,746	\$ 4,287
Interest cost	9,410	8,876	28,230	26,627
Expected return on plan assets	(11,938)	(14,797)	(35,813)	(44,391)
Amortization of prior service cost	335	335	1,005	1,005
Amortization of actuarial loss	1,358	2,457	4,074	7,370
Net periodic pension benefit cost (credit)	\$ 413	\$ (1,700)	\$ 1,242	\$ (5,102)
Pretax reclassifications from AOCI included in net periodic pension benefit cost	\$ 1,693	\$ 2,792	\$ 5,079	\$ 8,375

The contributions to pension plans for the nine months ended September 30, 2019 and 2018, as reflected on the Condensed Consolidated Statements of Cash Flows, pertain to benefit payments under nonqualified plans for both periods and a discretionary qualified plan contribution of \$100,000,000 in the first quarter of 2018.

## POSTRETIREMENT PLANS

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, certain of our hourly employees may become eligible for these benefits if they reach a qualifying age and meet certain service requirements. Generally, Company-provided healthcare benefits end when covered individuals become eligible for Medicare benefits, become eligible for other group insurance coverage or reach age 65, whichever occurs first.

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

OTHER POSTRETIREMENT BENEFITS	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
<i>in thousands</i>				
<b>Components of Net Periodic Benefit Cost</b>				
Service cost	\$ 329	\$ 339	\$ 988	\$ 1,018
Interest cost	347	310	1,041	930
Amortization of prior service credit	(980)	(991)	(2,939)	(2,972)
Amortization of actuarial gain	(327)	(324)	(981)	(973)
Net periodic postretirement benefit credit	\$ (631)	\$ (666)	\$ (1,891)	\$ (1,997)
Pretax reclassifications from AOCI included in net periodic postretirement benefit credit	\$ (1,307)	\$ (1,315)	\$ (3,920)	\$ (3,945)

## DEFINED CONTRIBUTION PLANS

In addition to our pension and postretirement plans, we sponsor two defined contribution plans. Substantially all salaried and nonunion hourly employees are eligible to be covered by one of these plans. Under these plans, we match employees' eligible contributions at established rates. Expense recognized in connection with these matching obligations totaled \$13,646,000 and \$10,376,000 for the three months ended September 30, 2019 and 2018, respectively, and totaled \$41,246,000 and \$30,521,000 for the nine months ended September 30, 2019 and 2018, respectively.

## 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:

	September 30 2019	December 31 2018	September 30 2018
<i>in thousands</i>			
<b>AOCI</b>			
Interest rate hedges	\$ (11,011)	\$ (11,180)	\$ (8,771)
Pension and postretirement plans	(160,179)	(161,035)	(134,754)
Total	\$ (171,190)	\$ (172,215)	\$ (143,525)

Changes in AOCI, net of tax, for the nine months ended September 30, 2019 are as follows:

	Interest Rate Hedges	Pension and Postretirement Benefit Plans	Total
<i>in thousands</i>			
<b>AOCI</b>			
Balances as of December 31, 2018	\$ (11,180)	\$ (161,035)	\$ (172,215)
Amounts reclassified from AOCI	169	856	1,025
<b>Balances as of September 30, 2019</b>	<b>\$ (11,011)</b>	<b>\$ (160,179)</b>	<b>\$ (171,190)</b>

Amounts reclassified from AOCI to earnings, are as follows:

<i>in thousands</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Amortization of Interest Rate Hedge Losses</b>				
Interest expense	\$ 78	\$ 72	\$ 229	\$ 232
Benefit from income taxes	(21)	(19)	(60)	(61)
Total	\$ 57	\$ 53	\$ 169	\$ 171
<b>Amortization of Pension and Postretirement Plan Actuarial Loss and Prior Service Cost</b>				
Other nonoperating expense	\$ 386	\$ 1,477	\$ 1,159	\$ 4,430
Benefit from income taxes	(100)	(386)	(303)	(1,156)
Total	\$ 286	\$ 1,091	\$ 856	\$ 3,274
Total reclassifications from AOCI to earnings	\$ 343	\$ 1,144	\$ 1,025	\$ 3,445

## NOTE 12: EQUITY

Our capital stock consists solely of common stock, par value \$1.00 per share, of which 480,000,000 shares may be issued. Holders of our common stock are entitled to one vote per share. We may also issue 5,000,000 shares of preferred stock, but no shares have been issued. The terms and provisions of such shares will be determined by our Board of Directors upon any issuance in accordance with our Certificate of Incorporation.

There were no shares held in treasury as of September 30, 2019, December 31, 2018 and September 30, 2018.

Our common stock purchases (all of which were open market purchases) and subsequent retirements for the year-to-date periods ended are as follows:

<i>in thousands, except average price</i>	<i>September 30</i> <i>2019</i>	<i>December 31</i> <i>2018</i>	<i>September 30</i> <i>2018</i>
<b>Shares Purchased and Retired</b>			
Number	19	1,192	866
Total purchase price	\$ 2,602	\$ 133,983	\$ 99,916
Average price per share	\$ 139.90	\$ 112.41	\$ 115.31

As of September 30, 2019, 8,279,189 shares may be purchased under the current authorization of our Board of Directors.

Changes in total equity are summarized below:

<i>in thousands, except per share data</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Total Equity</b>				
Balance at beginning of period	\$ 5,371,447	\$ 5,020,630	\$ 5,202,903	\$ 4,968,893
Net earnings	215,713	179,151	476,569	391,783
Common stock issued				
Share-based compensation plans, net of shares withheld for taxes	(12,091)	(32)	(37,528)	(31,370)
Purchase and retirement of common stock	(2,602)	(24,995)	(2,602)	(99,916)
Share-based compensation expense	10,445	6,887	24,815	21,650
Cash dividends on common stock (\$0.31/\$0.28/\$0.93/\$0.84 per share, respectively)	(41,016)	(36,996)	(122,943)	(111,192)
Other comprehensive income	343	1,144	1,025	5,941
Balance at end of period	\$ 5,542,239	\$ 5,145,789	\$ 5,542,239	\$ 5,145,789

## NOTE 13: SEGMENT REPORTING

We have four operating (and reportable) segments organized around our principal product lines: Aggregates, Asphalt, Concrete and Calcium. The vast majority of our activities are domestic. We sell a relatively small amount of construction aggregates outside the United States. Our Asphalt and Concrete segments are primarily supplied with their aggregates requirements from our Aggregates segment. These intersegment sales are made at local market prices for the particular grade and quality of product used 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

<i>in thousands</i>	<i>Three Months Ended</i> <i>September 30</i>		<i>Nine Months Ended</i> <i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Total Revenues</b>				
Aggregates <sup>1</sup>	\$ 1,133,085	\$ 983,731	\$ 3,030,111	\$ 2,639,653
Asphalt <sup>2</sup>	270,237	231,700	649,490	547,363
Concrete	112,964	101,719	300,369	309,404
Calcium	2,119	1,912	6,073	6,136
Segment sales	\$ 1,518,405	\$ 1,319,062	\$ 3,986,043	\$ 3,502,556
Aggregates intersegment sales	(99,647)	(78,865)	(243,092)	(207,734)
<b>Total revenues</b>	<b>\$ 1,418,758</b>	<b>\$ 1,240,197</b>	<b>\$ 3,742,951</b>	<b>\$ 3,294,822</b>
<b>Gross Profit</b>				
Aggregates	\$ 357,202	\$ 303,787	\$ 872,133	\$ 735,484
Asphalt	27,639	23,857	51,950	49,853
Concrete	15,037	14,587	36,487	38,098
Calcium	765	911	2,250	2,226
<b>Total</b>	<b>\$ 400,643</b>	<b>\$ 343,142</b>	<b>\$ 962,820</b>	<b>\$ 825,661</b>
<b>Depreciation, Depletion, Accretion and Amortization (DDA&amp;A)</b>				
Aggregates	\$ 78,978	\$ 72,729	\$ 227,259	\$ 208,420
Asphalt	8,909	8,428	26,343	22,728
Concrete	3,371	3,041	9,662	9,504
Calcium	59	68	177	207
Other	4,930	5,124	15,484	15,604
<b>Total</b>	<b>\$ 96,247</b>	<b>\$ 89,390</b>	<b>\$ 278,925</b>	<b>\$ 256,463</b>
<b>Identifiable Assets <sup>3</sup></b>				
Aggregates			\$ 9,403,342	\$ 8,890,421
Asphalt			601,059	551,336
Concrete			302,003	278,487
Calcium			3,990	4,288
Total identifiable assets			\$ 10,310,394	\$ 9,724,532
General corporate assets			138,177	108,034
Cash and cash equivalents and restricted cash			91,102	43,069
<b>Total assets</b>			<b>\$ 10,539,673</b>	<b>\$ 9,875,635</b>

<sup>1</sup> Includes product sales (crushed stone, sand and gravel, sand, and other aggregates), as well as freight & delivery costs that we pass along to our customers, and service revenues (see Note 4) related to aggregates.

<sup>2</sup> Includes product sales, as well as service revenues (see Note 4) from our asphalt construction paving business.

<sup>3</sup> 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:

<i>in thousands</i>	<i>Nine Months Ended</i>	
	<i>September 30</i>	
	<i>2019</i>	<i>2018</i>
<b>Cash Payments (Refunds)</b>		
Interest (exclusive of amount capitalized)	\$ 85,140	\$ 82,339
Income taxes	46,955	(99,585)
<b>Noncash Investing and Financing Activities</b>		
Accrued liabilities for purchases of property, plant & equipment	\$ 28,828	\$ 30,588
Recognition of new asset retirement obligations	263	0
Right-of-use assets obtained in exchange for new operating lease liabilities <sup>1</sup>	438,517	0
Amounts referable to business acquisitions		
Liabilities assumed <sup>2</sup>	3,525	5,056
Consideration payable to seller	0	9,500

<sup>1</sup> The 2019 amount includes the initial right-of-use assets resulting from our adoption of ASU 2016-02, "Leases," as described in Note 17.

<sup>2</sup> Includes adjustments to prior year acquisitions.

## 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 nine month periods ended September 30, 2019 and 2018. Accumulated goodwill impairment losses amount to \$252,664,000 in the Calcium segment.

We have four reportable segments organized around our principal product lines: Aggregates, Asphalt, Concrete and Calcium. Changes in the carrying amount of goodwill by reportable segment from December 31, 2018 to September 30, 2019 are as follows:

<i>in thousands</i>	<i>Aggregates</i>	<i>Asphalt</i>	<i>Concrete</i>	<i>Calcium</i>	<i>Total</i>
<b>Goodwill</b>					
Total as of December 31, 2018	\$ 3,073,763	\$ 91,633	\$ 0	\$ 0	\$ 3,165,396
Goodwill of acquired businesses <sup>1</sup>	1,665	0	0	0	1,665
<b>Total as of September 30, 2019</b>	<b>\$ 3,075,428</b>	<b>\$ 91,633</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,167,061</b>

<sup>1</sup> See Note 16 for a summary of prior year acquisitions.

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**

### **BUSINESS ACQUISITIONS**

2019 BUSINESS ACQUISITIONS — We had no acquisitions through the nine months ended September 30, 2019.

2018 BUSINESS ACQUISITIONS — For the full year 2018, we purchased the following operations, none of which were material to our results of operations or financial position either individually or collectively, for total consideration of \$219,863,000 (\$215,363,000 cash and \$4,500,000 payable):

- Alabama — aggregates, asphalt mix and construction paving operations
- California — aggregates and asphalt-mix operations
- Texas — aggregates rail yards, asphalt mix and construction paving operations

As a result of the 2018 acquisitions, we recognized \$44,163,000 of amortizable intangible assets (contractual rights in place). The contractual rights in place will be amortized against earnings (\$43,072,000 - straight-line over a weighted-average 19.9 years and \$1,080,000 - units of sales in excess of 30.0 years) and \$7,385,000 will be deductible for income tax purposes over 15 years. Of the \$43,990,000 of goodwill recognized, \$4,863,000 will be deductible for income tax purposes over 15 years, and \$31,721,000 represents the balance of deferred tax liabilities generated from carrying over the seller's tax basis in the assets acquired (immaterial adjustments were recorded in 2019 including an increase to goodwill of \$1,665,000).

### **DIVESTITURES AND PENDING DIVESTITURES**

In 2019, we sold:

- First quarter — two aggregates operations in Georgia and reversed a contingent payable related to the fourth quarter 2017 Department of Justice required divestiture of former Aggregates USA operations, resulting in a pretax gain of \$4,064,000

In 2018, we sold:

- First quarter — ready-mixed concrete operations in Georgia resulting in a pretax gain of \$2,929,000 (we retained all real property which is leased to the buyer, and obtained a long-term aggregates supply agreement)

No assets met the criteria for held for sale at September 30, 2019, December 31, 2018 or September 30, 2018.

## **NOTE 17: NEW ACCOUNTING STANDARDS**

### **ACCOUNTING STANDARDS RECENTLY ADOPTED**

**LEASE ACCOUNTING** During the first quarter of 2019, we adopted Accounting Standards Update (ASU) 2016-02, "Leases," utilizing the comparatives transition option (we elected not to restate comparative periods) under ASC 840. This ASU amends prior accounting standards for lease accounting and adds additional disclosures about leasing arrangements. Under the new guidance, lessees are required to recognize lease right-of-use assets and lease liabilities on the balance sheet for all leases (excluding mineral leases) with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement and presentation of cash flow in the statement of cash flows. Upon adoption, we recognized operating lease liabilities of \$442,697,000, with corresponding right-of-use assets based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases. See Note 1 under the caption Leases for the practical expedients elected and other information. Additionally, see Notes 2 and 14 for the required lease disclosures.

### **ACCOUNTING STANDARDS PENDING ADOPTION**

**DEFINED BENEFIT PLANS** In August 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-14, "Changes to the Disclosure Requirements for Defined Benefit Plans," which adds, removes and clarifies the disclosure requirements for employers that sponsor defined benefit pension and other postretirement benefit plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2020 and is to be applied retrospectively. Early adoption is permitted. While we are still evaluating the impact of ASU 2018-14 and whether we will early adopt, it will not impact our consolidated financial statements as it only affects disclosure. Thus, the adoption of this standard will have a minor impact on the notes to our consolidated financial statements, specifically, our benefit plans note.

**CREDIT LOSSES** In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which amends guidance on the impairment of financial instruments. The new guidance estimates credit losses based on expected losses, modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within those annual reporting periods. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

## GENERAL COMMENTS

### OVERVIEW

We provide the basic materials for the infrastructure needed to maintain and expand the U.S. economy. We operate primarily in the U.S. and are the nation's largest supplier of construction aggregates (primarily crushed stone, sand and gravel) and a major producer of asphalt mix and ready-mixed concrete. Our strategy and competitive advantage are based on our strength in aggregates. Aggregates are used in most types of construction and in the production of asphalt mix and ready-mixed concrete.

Demand for our products is dependent on construction activity and correlates positively with growth in population, household formation and employment. End uses include public construction (e.g., highways, bridges, buildings, airports, schools, prisons, sewer and waste disposal systems, water supply systems, dams and reservoirs), private nonresidential construction (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; railroads and electric utilities; and to a smaller extent state, county and municipal governments.

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 cost-effective long-haul transportation — shipping by barge and rail — and from our quarry on Mexico's Yucatan Peninsula with our fleet of Panamax-class, self-unloading ships.

There are limited substitutes for quality aggregates. Due to zoning and permitting regulation and high transportation costs relative to the value of the product, the location of reserves is a critical factor to our long-term success.

No material part of our business depends upon any single customer whose loss would have a significant adverse effect on our business. In 2018, our five largest customers accounted for 8% of our total revenues (excluding internal sales), and no single customer accounted for more than 2% of our total revenues. Although approximately 45% to 55% of our aggregates shipments have historically been used in publicly funded construction, such as highways, airports and government buildings, relatively insignificant sales are made directly to federal, state, county or municipal governments/agencies. Therefore, although reductions in state and federal funding can curtail publicly funded construction, our business is not directly subject to renegotiation of profits or termination of contracts with state or federal governments.

While aggregates is our focus and primary business, we believe vertical integration between aggregates and downstream products, such as asphalt mix and ready-mixed concrete, can be managed effectively in certain markets generating acceptable financial returns and enhancing financial returns in our core Aggregates segment. We produce and sell asphalt mix and/or ready-mixed concrete primarily in our Alabama, mid-Atlantic, Southwestern, Tennessee and Western markets. Aggregates comprise approximately 95% of asphalt mix by weight and 80% of ready-mixed concrete by weight. In both of these downstream businesses, aggregates are primarily supplied from our 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 volume 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, demographic and population fluctuations, and particularly to cyclical swings in construction spending, primarily in the private sector.

# EXECUTIVE SUMMARY

## FINANCIAL HIGHLIGHTS FOR THIRD QUARTER 2019

Compared to third quarter 2018:

- Total revenues increased \$178.6 million, or 14%, to \$1,418.8 million
- Gross profit increased \$57.5 million, or 17%, to \$400.6 million
- Aggregates segment sales increased \$149.4 million, or 15%, to \$1,133.1 million
- Aggregates segment freight-adjusted revenues increased \$108.7 million, or 15%, to \$858.5 million
  - Shipments increased 8%, or 4.7 million tons, to 60.9 million tons
    - Same-store shipments increased 8%, or 4.5 million tons, to 60.7 million tons
  - Freight-adjusted sales price increased 5.6%, or \$0.75 per ton
    - Same-store freight-adjusted sales price increased 5.5%, or \$0.74 per ton
  - Segment gross profit increased \$53.4 million, or 18%, to \$357.2 million
- Asphalt, Concrete and Calcium segment gross profit increased \$4.1 million, or 10%, to \$43.4 million, collectively
- Selling, administrative and general (SAG) expenses increased \$7.2 million and decreased 0.3 percentage points (30 basis points) as a percentage of total revenues
- Operating earnings increased \$54.2 million, or 22%, to \$303.4 million
- Earnings from continuing operations were \$218.1 million, or \$1.63 per diluted share, compared to \$179.9 million, or \$1.34 per diluted share
- Adjusted earnings from continuing operations were \$1.68 per diluted share, compared to \$1.40 per diluted share
- Net earnings were \$215.7 million, an increase of \$36.6 million, or 20%
- Adjusted EBITDA was \$406.8 million, an increase of \$53.4 million, or 15%
- Returned capital to shareholders via dividends (\$41.0 million @ \$0.31 per share versus \$37.0 million @ \$0.28 per share) and share repurchases (\$2.6 million @ an average price of \$139.90 per share versus \$25.0 million @ an average price of \$111.92 per share)

Net earnings in the third quarter of 2019 were \$215.7 million, up 20%, and Adjusted EBITDA was \$406.8 million, up 15%, compared to last year's third quarter. The strong earnings growth was driven principally by an 18% increase in Aggregates segment gross profit. Aggregates shipments increased 8% year-over-year and freight-adjusted aggregates pricing increased 5.6% (5.0% mix-adjusted). Adjusted for the extra shipping day in this year's third quarter, same-store shipments grew by 6%. Same-store aggregates gross profit incremental flow-through rate for the trailing-twelve months was 60%, consistent with long-term expectations.

We continued to execute well during the third quarter. The growth in our aggregates shipments and improvement in pricing were strong. Importantly, our industry-leading unit profitability in aggregates increased from \$5.41 to \$5.87 per ton, a 9% increase compared to the prior year's third quarter. We remain focused on creating long-term value by compounding unit margins through our four strategic initiatives — commercial excellence, operational excellence, strategic sourcing and logistics innovation — which enhance price growth and operating efficiencies.

Capital expenditures in the third quarter included \$39.5 million of core operating and maintenance capital to improve or replace existing property, plant & equipment. In addition, we invested \$41.5 million in internal growth projects to secure new aggregates reserves, develop new production sites and enhance our distribution capabilities. Through the nine months ended September 2019, core operating and maintenance capital investment totaled \$170.8 million, and internal growth projects investment was \$136.1 million. Our full-year 2019 expectations remain unchanged at \$250 million for core operating and maintenance capital and \$200 million for internal growth projects.

During the quarter, we returned \$41.0 million to shareholders through dividends, an 11% increase versus the prior year quarter. Additionally, we repurchased shares totaling \$2.6 million. At quarter-end, total debt was \$2.8 billion, or 2.2 times trailing-twelve month Adjusted EBITDA.

We are reaffirming our full-year earnings outlook for 2019. As we enter the final quarter of this year, we are well positioned to have a strong finish to the year, achieving another year of double-digit earnings growth.

Through the first nine months, aggregates shipments have exceeded the upper end of our expectations, pricing has increased in line with our expectations, and we have delivered good incremental earnings. As we consider our outlook for the full year, we expect to finish the year with aggregates profitability better than originally expected. We expect non-aggregates gross profit to be lower than original expectations but in line with 2018 results, offsetting the higher aggregates earnings. We expect earnings from continuing operations between \$4.55 and \$5.05 per diluted share and Adjusted EBITDA between \$1.250 and \$1.330 billion.

Looking ahead to 2020, we expect another year of strong earnings growth, led by improvement in aggregates unit margins. With respect to aggregates shipments, our preliminary outlook is for low-to-mid-single-digit growth. Vulcan-served markets should continue to benefit from public construction demand, led by significantly higher levels of highway funding in our key states. Private construction shipment momentum remains positive across most of our markets. We expect this shipment momentum to continue into 2020. Demand fundamentals, including population and employment growth, continue to support longer-term growth in residential and nonresidential construction. We also expect a positive pricing environment as the shipment momentum in private demand and visibility of public demand should help drive sales price increases similar to 2019's mid-single-digit range.

We remain keenly focused on compounding unit margins through the cycle. Going forward, these compounding unit margins together with disciplined capital allocation will position us well to grow our cash flows and improve our returns on invested capital.

## RESULTS OF OPERATIONS

Total revenues are primarily derived from our product sales of aggregates, asphalt mix and ready-mixed concrete, and include freight & delivery costs that we pass along to our customers to deliver these products. We also generate service revenues from our asphalt construction paving business and services related to our aggregates business. 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

<i>in millions, except unit and per unit data</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30</i>		<i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Total revenues	\$ 1,418.8	\$ 1,240.2	\$ 3,743.0	\$ 3,294.8
Cost of revenues	1,018.2	897.1	2,780.2	2,469.1
Gross profit	\$ 400.6	\$ 343.1	\$ 962.8	\$ 825.7
<i>Gross profit margin</i>	<i>28.2%</i>	<i>27.7%</i>	<i>25.7%</i>	<i>25.1%</i>
Selling, administrative and general (SAG)	\$ 88.8	\$ 81.6	\$ 274.7	\$ 249.0
<i>SAG as a percentage of total revenues</i>	<i>6.3%</i>	<i>6.6%</i>	<i>7.3%</i>	<i>7.6%</i>
Operating earnings	\$ 303.4	\$ 249.2	\$ 683.9	\$ 561.2
Interest expense, net	\$ 32.2	\$ 33.5	\$ 98.2	\$ 104.6
Earnings from continuing operations before income taxes	\$ 271.5	\$ 220.5	\$ 591.7	\$ 469.4
Earnings from continuing operations	\$ 218.1	\$ 179.9	\$ 479.9	\$ 393.6
Loss on discontinued operations, net of income taxes	(2.4)	(0.7)	(3.3)	(1.8)
Net earnings	\$ 215.7	\$ 179.2	\$ 476.6	\$ 391.8
Diluted earnings (loss) per share				
Continuing operations	\$ 1.63	\$ 1.34	\$ 3.60	\$ 2.94
Discontinued operations	(0.01)	0.00	(0.02)	(0.02)
Diluted net earnings per share	\$ 1.62	\$ 1.34	\$ 3.58	\$ 2.92
EBITDA <sup>1</sup>	\$ 400.0	\$ 343.5	\$ 968.8	\$ 830.4
Adjusted EBITDA <sup>1</sup>	\$ 406.8	\$ 353.5	\$ 971.6	\$ 846.2
<b>Average Sales Price and Unit Shipments</b>				
Aggregates				
Tons (thousands)	60,898	56,170	163,845	151,659
Freight-adjusted sales price	\$ 14.10	\$ 13.35	\$ 14.00	\$ 13.25
Asphalt Mix				
Tons (thousands)	4,007	3,399	9,624	8,548
Average sales price	\$ 58.20	\$ 56.58	\$ 57.76	\$ 54.84
Ready-mixed concrete				
Cubic yards (thousands)	875	795	2,359	2,487
Average sales price	\$ 127.99	\$ 126.42	\$ 126.19	\$ 123.06
Calcium				
Tons (thousands)	75	67	216	215
Average sales price	\$ 28.33	\$ 28.29	\$ 28.04	\$ 28.43

<sup>1</sup> Non-GAAP measures are defined and reconciled within this Item 2 under the caption Reconciliation of Non-GAAP Measures.

## THIRD QUARTER 2019 COMPARED TO THIRD QUARTER 2018

Third quarter 2019 total revenues were \$1,418.8 million, up 14% from the third quarter of 2018. Shipments increased in aggregates (+8%), asphalt mix (+18%) and ready-mixed concrete (+10%). Gross profit increased in the Aggregates (+\$53.4 million or +18%), Asphalt (+\$3.8 million or +16%) and Concrete (+\$0.5 million or +3%) segments. An 8% decrease in the unit cost of diesel fuel lowered costs by \$2.9 million from the prior year's third quarter with most (\$2.8 million) of this cost decline reflected in the Aggregates segment.

Net earnings for the third quarter of 2019 were \$215.7 million, or \$1.62 per diluted share, compared to \$179.2 million, or \$1.34 per diluted share, in the third quarter of 2018. Each period's results were impacted by discrete items, as follows:

Net earnings for the third quarter of 2019 include:

- pretax charges of \$0.4 million associated with non-routine business development
- pretax charges of \$6.5 million for managerial restructuring

Net earnings for the third quarter of 2018 include:

- pretax gains of \$0.6 million for business interruption claims
- pretax charges of \$10.0 million for divested operations
- pretax charges of \$0.2 million associated with non-routine business development
- pretax charges of \$0.3 million for managerial restructuring

Adjusted for these discrete items, earnings from continuing operations (Adjusted Diluted EPS) was \$1.68 per diluted share for the third quarter of 2019 compared to \$1.40 per diluted share in the third quarter of 2018.

CONTINUING OPERATIONS — Changes in earnings from continuing operations before income taxes for the third quarter of 2019 versus the third quarter of 2018 are summarized below:

### EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

*in millions*

Third quarter 2018	\$ 220.5
Higher aggregates gross profit	53.4
Higher asphalt gross profit	3.8
Higher concrete gross profit	0.5
Lower calcium gross profit	(0.1)
Higher selling, administrative and general expenses	(7.2)
Lower gain on sale of property, plant & equipment and businesses	(1.9)
Lower interest expense, net	1.4
All other	1.1
<b>Third quarter 2019</b>	<b>\$ 271.5</b>

Third quarter Aggregates segment sales increased 15% and gross profit increased 18% to \$357.2 million. Unit margins increased \$0.46 per ton, or 9%, to \$5.87 per ton. These improvements resulted from growth in shipments, price improvements and execution of operating disciplines and efficiencies.

Third quarter aggregates shipments increased 8% (also 8% on a same-store basis) as compared to the prior year quarter. A healthy demand environment, led by transportation-related construction, was the principal driver of volume growth and price improvement. Most markets reported solid shipment growth, including double-digit growth in certain markets in the Mid-Atlantic, Southeast and Texas. All of our key markets reported year-over-year price growth. For the quarter, freight-adjusted average sales price increased 5.6% (5.5% on a same-store basis) versus the prior year's quarter. Mix-adjusted average sales price increased 5.0%. Positive trends in backlogged project work, along with demand visibility and customer confidence, support our expectations for continued price improvement throughout the remainder of 2019.

Third quarter same-store unit cost of sales (freight-adjusted) increased 3% as compared to the prior year quarter. Trailing-twelve month same-store incremental gross profit flow-through rate was 60%, in-line with our long-term expectations. Quarterly gross profit flow-through rates can vary widely from quarter to quarter; therefore, we evaluate this metric on a trailing-twelve month basis.

Asphalt segment gross profit was \$27.6 million for the third quarter, an increase of \$3.8 million from the prior year. Asphalt mix shipments increased 18% and selling prices increased 3%, or \$1.62 per ton, in the third quarter. The average unit cost for liquid asphalt was 6% higher than the prior year quarter. Material margins in the quarter were slightly lower than the prior year's third quarter.

Concrete segment gross profit was \$15.0 million, 3% higher than the prior year quarter. Ready-mixed concrete shipments of 0.9 million cubic yards were up 10% from the prior year's third quarter. The average sales price increased 1% while material margins were essentially flat.

Calcium segment gross profit was \$0.8 million, a slight decrease versus the prior year quarter.

SAG expenses were \$88.8 million versus \$81.6 million in the prior year's third quarter. The year-over-year increase was due mainly to compensation-related expense, including incentives that are tied to earnings expectations and the share price performance, as well as investment in people and processes intended to capture benefits from our strategic initiatives. On a trailing-twelve month basis, SAG expense as a percentage of total revenues was 7.4%, 0.4 percentage points (40 basis points) lower than the prior year period. We remain focused on further leveraging our overhead structure.

Other operating expense, which has an approximate run-rate of \$12 million a year (exclusive of discrete items), is composed of various operating items not separately presented in the accompanying Condensed Consolidated Statements of Comprehensive Income. Total other operating expense and significant items included in the total were:

- \$8.7 million in third quarter 2019 — includes discrete items as follows:
  - \$0.4 million of non-routine business development charges
  - \$6.5 million of managerial restructuring charges
- \$14.5 million in third quarter 2018 — includes discrete items as follows:
  - \$0.6 million gain referable to the settlement of business interruption claims related to the 2010 Gulf Coast oil spill
  - \$10.0 million of charges associated with divested operations including \$9.2 million of environmental liability accruals related to the Hewitt Landfill matter (see Note 8 to the condensed consolidated financial statements)
  - \$0.2 million of non-routine business development charges
  - \$0.3 million of managerial restructuring charges

Net interest expense was \$32.2 million in the third quarter of 2019 compared to \$33.5 million in the third quarter of 2018.

Income tax expense from continuing operations was \$53.5 million in the third quarter of 2019 compared to \$40.7 million in the third quarter of 2018. The increase in tax expense was primarily related to the increase in earnings.

Earnings from continuing operations were \$1.63 per diluted share in the third quarter of 2019 compared to \$1.34 per diluted share in the third quarter of 2018.

**DISCONTINUED OPERATIONS** — Third quarter pretax loss from discontinued operations was \$3.2 million in 2019 compared with \$1.0 million in 2018. 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 1 to the condensed consolidated financial statements under the caption Discontinued Operations.

## YEAR-TO-DATE SEPTEMBER 30, 2019 COMPARED TO YEAR-TO-DATE SEPTEMBER 30, 2018

Total revenues for the first nine months of 2019 were \$3,743.0 million, up 14% from the first nine months of 2018. Shipments were up in aggregates (+8%) and asphalt mix (+13%) while down in ready-mixed concrete (-5%). Gross profit increased in the Aggregates (+\$136.6 million or +19%) and Asphalt (+\$2.1 million or +4%) segments, while it declined in the Concrete (-\$1.6 million or -4%) segment. A 14% increase in unit costs for liquid asphalt lowered Asphalt segment earnings by \$24.3 million. Conversely, a 4% decrease in the unit cost of diesel fuel lowered costs \$4.6 million from the first nine months of 2018 with most (\$3.9 million) of this cost decline in the Aggregates segment.

Net earnings for the first nine months of 2019 were \$476.6 million, or \$3.58 per diluted share, compared to \$391.8 million, or \$2.92 per diluted share, in the first nine months of 2018. Each period's results were impacted by discrete items, as follows:

Net earnings for the first nine months of 2019 include:

- \$4.1 million of pretax gains related to the sale of businesses (see Note 16 to the condensed consolidated financial statements)
- \$0.4 million of pretax charges associated with non-routine business development
- \$6.5 million of pretax charges for managerial restructuring

Net earnings for the first nine months of 2018 include:

- \$7.4 million of pretax interest charges related to early debt retirement
- \$2.9 million of pretax gains related to the sale of businesses
- \$5.2 million of pretax charges associated with non-routine business development
- \$2.3 million of pretax gains for business interruption claims
- \$10.0 million of pretax charges associated with divested operations
- \$5.7 million of pretax charges for managerial restructuring

Adjusted for these discrete items, earnings from continuing operations (Adjusted Diluted EPS) was \$3.62 per diluted share for the first nine months of 2019 compared to \$3.07 per diluted share in 2018.

CONTINUING OPERATIONS — Changes in earnings from continuing operations before income taxes for year-to-date September 30, 2019 versus year-to-date September 30, 2018 are summarized below:

### EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES

*in millions*

Year-to-date September 30, 2018	\$ 469.4
Higher aggregates gross profit	136.6
Higher asphalt gross profit	2.1
Lower concrete gross profit	(1.6)
Flat calcium gross profit	0.0
Higher selling, administrative and general expenses	(25.8)
Higher gain on sale of property, plant & equipment and businesses	2.6
Lower interest expense, net	6.4
All other	2.0
<b>Year-to-date September 30, 2019</b>	<b>\$ 591.7</b>

Gross profit for our Aggregates segment was \$872.1 million (\$5.32 per ton) for the first nine months of 2019 versus \$735.5 million (\$4.85 per ton) in the comparable period of 2018. As a percentage of segment sales, gross profit margin expanded 0.9 percentage points (90 basis points) due primarily to strong growth in shipments and price improvements. Aggregates segment sales of \$3,030.1 million were up 15% from the first nine months of 2018, and aggregates freight-adjusted revenues of \$2,293.6 million were up 14%. Aggregates shipments for the first nine months increased 8% (same-store +7%), or 12.2 million tons (same-store +10.6 million tons), compared to the prior year. Freight-adjusted average sales price for aggregates increased 5.7%, or \$0.75 per ton, versus the first nine months of 2018. Excluding mix impact, aggregates price increased 5.3%. Unit cost of sales (freight-adjusted) in the Aggregates segment for the first nine months of 2019 was up 3%, or \$0.28 per ton, versus the prior year.

Asphalt segment gross profit of \$52.0 million was up \$2.1 million from the first nine months of 2018. Asphalt mix shipments increased 13% (+10% same-store) while selling prices increased 5.3%, or \$2.92 per ton. The average unit cost for liquid asphalt was 14% higher than the first nine months of 2019, negatively affecting earnings by \$24.3 million. This negative earnings affect was partially mitigated by the higher price as the material margins were only unfavorable by \$0.69 per ton, or approximately \$6.6 million.

Concrete segment gross profit was \$36.5 million for the first nine months of 2019, down \$1.6 million from the prior year period. Ready-mixed concrete shipments decreased 5% (same-store -2%) versus comparable 2018. Both the average sales price and the materials margin increased 3%.

Our Calcium segment's gross profit of \$2.3 million was essentially flat versus the first nine months of 2018.

For the first nine months of 2019, total gross profit in our non-aggregates segments was \$90.7 million, a less than 1% increase from the prior year's comparable period.

SAG expenses were \$274.7 million versus \$249.0 million in the prior year's first nine months reflecting a 0.3 percentage point (30 basis points) decrease as a percentage of total revenues.

Other operating expense, which has an approximate run-rate of \$12 million a year (exclusive of discrete items), is composed of various operating items not separately presented in the accompanying Condensed Consolidated Statements of Comprehensive Income. Total other operating expense and significant items, if any, included in the total were:

- \$15.2 million in the first nine months of 2019 — includes discrete items as follows:
  - \$0.4 million of non-routine business development charges
  - \$6.5 million of managerial restructuring charges
- \$23.8 million in the first nine months of 2018 — includes discrete items as follows:
  - \$2.3 million gain referable to the settlement of business interruption claims related to the 2010 Gulf Coast oil spill
  - \$10.0 million of charges associated with divested operations including \$9.2 million of environmental liability accruals related to the Hewitt Landfill matter (see Note 8 to the condensed consolidated financial statements)
  - \$5.2 million of non-routine business development charges
  - \$5.7 million of managerial restructuring charges

Net interest expense was \$98.2 million in the first nine months of 2019 compared to \$104.6 million in the first nine months of 2018. The prior year expense includes \$7.4 million of charges related to the first quarter 2018 debt refinancing.

Income tax expense from continuing operations was \$111.8 million in the first nine months of 2019 compared to \$75.8 million in the first nine months of 2018. The increase in income tax expense was primarily related to the increase in earnings.

Earnings from continuing operations were \$3.60 per diluted share in the first nine months of 2019 compared to \$2.94 per diluted share in the first nine months of 2018.

**DISCONTINUED OPERATIONS** — Year-to-date September pretax loss from discontinued operations was \$4.5 million in 2019 compared with pretax loss of \$2.4 million in year-to-date September 2018. 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 1 to the condensed consolidated financial statements under the caption Discontinued Operations.

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

## SAME-STORE

We have provided certain information on a same-store basis. When discussing our financial results in comparison to prior periods, we may exclude the operating results of recently acquired/divested businesses that do not have comparable results in the periods being discussed. These recently acquired/divested businesses are disclosed in Note 16 “Acquisitions and Divestitures.” This approach allows us to evaluate the performance of our operations on a comparable basis. We believe that measuring performance on a same-store basis is useful to investors because it enables evaluation of how our operations are performing period over period without the effects of acquisition and divestiture activity. Our same-store information may not be comparable to similar measures used by other companies.

## AGGREGATES SEGMENT FREIGHT-ADJUSTED REVENUES

Aggregates segment freight-adjusted 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. We believe that this presentation is consistent with our competitors and meaningful to our investors as it excludes revenues associated with freight & delivery, 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. Additionally, we use this metric as the basis for calculating the average sales price of our aggregates products. Reconciliation of this metric to its nearest GAAP measure is presented below:

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30</i>		<i>September 30</i>	
<i>dollars in millions</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Aggregates segment</b>				
Segment sales	\$ 1,133.1	\$ 983.7	\$ 3,030.1	\$ 2,639.7
Less				
Freight & delivery revenues <sup>1</sup>	259.4	221.0	695.9	593.5
Other revenues	15.2	12.9	40.6	36.5
Freight-adjusted revenues	\$ 858.5	\$ 749.8	\$ 2,293.6	\$ 2,009.7
Unit shipments - tons	60.9	56.2	163.8	151.7
Freight-adjusted sales price	\$ 14.10	\$ 13.35	\$ 14.00	\$ 13.25

<sup>1</sup> At the segment level, freight & delivery revenues include intersegment freight & delivery (which are eliminated at the consolidated level) and freight to remote distribution sites.

## AGGREGATES SEGMENT INCREMENTAL GROSS PROFIT

Aggregates segment incremental gross profit flow-through rate is not a GAAP measure and represents the year-over-year change in gross profit divided by the year-over-year change in segment sales excluding freight & delivery (revenues and costs). We evaluate this metric on a trailing-twelve month basis as quarterly gross profit flow-through rates can vary widely from quarter to quarter. We present this metric as it is consistent with the basis by which we review our operating results.

We believe that this presentation is consistent with our competitors and meaningful to our investors as it excludes revenues associated with freight & delivery, which are pass-through activities. Reconciliations of these metrics to their nearest GAAP measures are presented below:

## MARGIN IN ACCORDANCE WITH GAAP

<i>dollars in millions</i>	<i>Three Months Ended September 30</i>		<i>Trailing-Twelve Months September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Aggregates segment</b>				
Gross profit	\$ 357.2	\$ 303.8	\$ 1,128.5	\$ 942.0
Segment sales	\$ 1,133.1	\$ 983.7	\$ 3,904.1	\$ 3,409.2
Gross profit margin	31.5%	30.9%	28.9%	27.6%
Incremental gross profit margin	35.8%		37.7%	

## FLOW-THROUGH RATE (NON-GAAP)

<i>dollars in millions</i>	<i>Three Months Ended September 30</i>		<i>Trailing-Twelve Months September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Aggregates segment</b>				
Gross profit	\$ 357.2	\$ 303.8	\$ 1,128.5	\$ 942.0
Less: Contribution from acquisitions (same-store)	0.6	0.0	5.0	(0.7)
Same-store gross profit	\$ 356.6	\$ 303.8	\$ 1,123.5	\$ 942.7
Segment sales	\$ 1,133.1	\$ 983.7	\$ 3,904.1	\$ 3,409.2
Less: Freight & delivery revenues <sup>1</sup>	259.4	221.0	899.4	758.6
Segment sales excluding freight & delivery	\$ 873.7	\$ 762.7	\$ 3,004.7	\$ 2,650.6
Less: Contribution from acquisitions (same-store)	4.6	0.0	53.1	1.4
Same-store segment sales excluding freight & delivery	\$ 869.1	\$ 762.7	\$ 2,951.6	\$ 2,649.2
Gross profit flow-through rate	40.9%	39.8%	37.6%	35.5%
Same-store gross profit flow-through rate	41.0%	39.8%	38.1%	35.6%
Incremental gross profit flow-through rate	48.2%		52.7%	
Same-store incremental gross profit flow-through rate	49.6%		59.8%	

<sup>1</sup> At the segment level, freight & delivery revenues include intersegment freight & delivery (which are eliminated at the consolidated level) and freight to remote distribution sites.

## CASH GROSS PROFIT

GAAP does not define “cash gross profit” and it should not be considered as an alternative to earnings measures defined by GAAP. We and the investment community use this metric to assess the operating performance of our business. Additionally, we present this metric as we believe that it closely correlates to long-term shareholder value. We do not use this metric as a measure to allocate resources. Cash gross profit adds back noncash charges for depreciation, depletion, accretion and amortization to gross profit. Aggregates segment cash gross profit per ton is computed by dividing Aggregates segment cash gross profit by tons shipped. Reconciliation of this metric to its nearest GAAP measure is presented below:

<i>in millions, except per ton data</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30</i>		<i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Aggregates segment</b>				
Gross profit	\$ 357.2	\$ 303.8	\$ 872.1	\$ 735.5
Depreciation, depletion, accretion and amortization	79.0	72.7	227.3	208.4
Aggregates segment cash gross profit	\$ 436.2	\$ 376.5	\$ 1,099.4	\$ 943.9
Unit shipments - tons	60.9	56.2	163.8	151.7
Aggregates segment gross profit per ton	\$ 5.87	\$ 5.41	\$ 5.32	\$ 4.85
Aggregates segment cash gross profit per ton	\$ 7.16	\$ 6.70	\$ 6.71	\$ 6.22
<b>Asphalt segment</b>				
Gross profit	\$ 27.6	\$ 23.9	\$ 52.0	\$ 49.9
Depreciation, depletion, accretion and amortization	8.9	8.4	26.3	22.7
Asphalt segment cash gross profit	\$ 36.5	\$ 32.3	\$ 78.3	\$ 72.6
<b>Concrete segment</b>				
Gross profit	\$ 15.0	\$ 14.6	\$ 36.5	\$ 38.1
Depreciation, depletion, accretion and amortization	3.4	3.0	9.7	9.5
Concrete segment cash gross profit	\$ 18.4	\$ 17.6	\$ 46.2	\$ 47.6
<b>Calcium segment</b>				
Gross profit	\$ 0.8	\$ 0.9	\$ 2.3	\$ 2.2
Depreciation, depletion, accretion and amortization	0.1	0.1	0.2	0.2
Calcium segment cash gross profit	\$ 0.9	\$ 1.0	\$ 2.5	\$ 2.4

## EBITDA AND ADJUSTED EBITDA

GAAP does not define “Earnings Before Interest, Taxes, Depreciation and Amortization” (EBITDA) and it should not be considered as an alternative to earnings measures defined by GAAP. We use this metric to assess the operating performance of our business and as a basis for strategic planning and forecasting as we believe that it closely correlates to long-term shareholder value. We do not use this metric as a measure to allocate resources. We adjust EBITDA for certain items to provide a more consistent comparison of earnings performance from period to period. Reconciliation of this metric to its nearest GAAP measure is presented below (numbers may not foot due to rounding):

<i>in millions</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30</i>		<i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Net earnings	\$ 215.7	\$ 179.2	\$ 476.6	\$ 391.8
Income tax expense (benefit)	53.5	40.7	111.8	75.8
Interest expense, net of interest income	32.2	33.5	98.2	104.6
Loss on discontinued operations, net of tax	2.4	0.7	3.3	1.8
EBIT	303.7	254.1	689.8	573.9
Depreciation, depletion, accretion and amortization	96.2	89.4	278.9	256.5
EBITDA	\$ 400.0	\$ 343.5	\$ 968.8	\$ 830.4
Gain on sale of businesses	\$ 0.0	\$ 0.0	\$ (4.0)	\$ (2.9)
Business interruption claims recovery	0.0	(0.6)	0.0	(2.3)
Charges associated with divested operations	0.0	10.0	0.0	10.0
Business development <sup>1</sup>	0.4	0.2	0.4	5.2
Restructuring charges <sup>2</sup>	6.5	0.3	6.5	5.7
Adjusted EBITDA	\$ 406.8	\$ 353.5	\$ 971.6	\$ 846.2
Depreciation, depletion, accretion and amortization	(96.2)	(89.4)	(278.9)	(256.5)
Adjusted EBIT	\$ 310.6	\$ 264.1	\$ 692.6	\$ 589.7

<sup>1</sup> Represents non-routine charges associated with acquisitions including the cost impact of purchase accounting inventory valuations.

<sup>2</sup> Restructuring charges are included with other operating expenses and the 2019 charges are for managerial restructuring.

## ADJUSTED DILUTED EPS FROM CONTINUING OPERATIONS

Similar to our presentation of Adjusted EBITDA, we present Adjusted diluted earnings per share (EPS) from continuing operations to provide a more consistent comparison of earnings performance from period to period. This metric is not defined by GAAP and should not be considered as an alternative to earnings measures defined by GAAP. Reconciliation of this metric to its nearest GAAP measure is presented below:

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30</i>		<i>September 30</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Diluted Earnings Per Share</b>				
Net earnings	\$ 1.62	\$ 1.34	\$ 3.58	\$ 2.92
Less: Discontinued operations (loss)	(0.01)	0.00	(0.02)	(0.02)
Diluted EPS from continuing operations	\$ 1.63	\$ 1.34	\$ 3.60	\$ 2.94
Items included in Adjusted EBITDA above	\$ 0.05	\$ 0.06	\$ 0.02	\$ 0.09
Debt refinancing costs	0.00	0.00	0.00	0.04
Adjusted diluted EPS from continuing operations	\$ 1.68	\$ 1.40	\$ 3.62	\$ 3.07

## 2019 PROJECTED EBITDA

The following reconciliation to the mid-point of the range of 2019 Projected EBITDA excludes adjustments (as noted in Adjusted EBITDA above) as they are difficult to forecast (timing or amount). Due to the difficulty in forecasting such adjustments, we are unable to estimate their significance. This metric is not defined by GAAP and should not be considered as an alternative to earnings measures defined by GAAP. Reconciliation of this metric to its nearest GAAP measure is presented below:

<i>in millions</i>	<b>2019 Projected Mid-point</b>
Net earnings	\$ 640
Income tax expense	150
Interest expense, net	130
Discontinued operations, net of tax	0
Depreciation, depletion, accretion and amortization	370
Projected EBITDA	\$ 1,290

## LIQUIDITY AND FINANCIAL RESOURCES

Our primary sources of liquidity are cash provided by our operating activities and a substantial, committed bank line of credit. Additional sources of capital include access to the capital markets, the sale of surplus real estate, and dispositions of nonstrategic operating assets. We believe these financial resources are sufficient to fund our business requirements for 2019, including:

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

Our balanced approach to capital deployment remains unchanged. We intend to balance reinvestment in our business, growth through acquisitions and return of capital to shareholders, while sustaining financial strength and flexibility.

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

- maintain substantial bank line of credit borrowing capacity
- proactively manage our debt maturity schedule such that repayment/refinancing risk in any single year is low
- maintain an appropriate balance of fixed-rate and floating-rate debt
- minimize financial and other covenants that limit our operating and financial flexibility

## CASH

Included in our September 30, 2019 cash and cash equivalents and restricted cash balance of \$91.1 million is \$0.7 million of restricted cash as described in Note 1 under the caption Restricted Cash.

### CASH FROM OPERATING ACTIVITIES

<i>in millions</i>	<i>Nine Months Ended</i>	
	<i>September 30</i>	
	<i>2019</i>	<i>2018</i>
Net earnings	\$ 476.6	\$ 391.8
Depreciation, depletion, accretion and amortization (DDA&A)	278.9	256.5
Noncash operating lease expense	26.3	0.0
Contributions to pension plans	(6.8)	(107.2)
Cost of debt purchase	0.0	6.9
Other operating cash flows, net <sup>1</sup>	(128.9)	24.6
<b>Net cash provided by operating activities</b>	<b>\$ 646.1</b>	<b>\$ 572.6</b>

<sup>1</sup> Primarily reflects changes to working capital balances.

Net cash provided by operating activities was \$646.1 million during the nine months ended September 30, 2019, a \$73.5 million increase compared to the same period of 2018. During the first nine months of 2018, we made a \$100.0 million discretionary contribution to our qualified pension plans that was deductible for tax purposes in 2017 and early retired debt incurring premium and transaction costs of \$6.9 million (which is added back to operating cash flows and reflected as a financing cash outflow). Additionally, as noted in the table above, beginning with our adoption of ASU 2016-02 in 2019 (see Note 17 to the condensed consolidated financial statements), the noncash amortization component of operating lease expense is added back to operating cash flows.

### CASH FROM INVESTING ACTIVITIES

Net cash used for investing activities was \$303.3 million during the first nine months of 2019, a \$246.2 million decrease compared to the same period of 2018. During the first nine months of 2019, we invested \$306.9 million in our existing operations compared to \$348.2 million in the prior year period. Of this \$306.9 million, \$136.1 million was invested in internal growth projects to enhance our distribution capabilities, develop new production sites and enhance existing production facilities. During the first nine months of 2018, we acquired the following businesses for \$213.1 million of cash consideration: Alabama — aggregates, asphalt mix and construction paving operations; California — asphalt mix operations; and Texas — aggregates rail yards, asphalt mix and construction paving operations. Furthermore, during the first quarter of 2018, we divested our ready-mixed concrete operations in Georgia resulting in proceeds of \$11.3 million and a long-term aggregates supply agreement.

### CASH FROM FINANCING ACTIVITIES

Net cash used for financing activities in the first nine months of 2019 was \$296.2 million, compared to \$126.7 million in the same period of 2018. The current year includes a net \$133.0 million payment on our bank line of credit. The prior year period includes a \$200.0 million net draw on our line of credit partially offset by several refinancing actions that used \$84.2 million of cash (as described in the debt section below). Additionally, the capital returned to our shareholders decreased by \$85.5 million as higher dividends of \$11.8 million (\$0.93 per share compared to \$0.84 per share) were offset by lower share repurchases of \$97.3 million (18,600 shares repurchased @ \$139.90 average price per share compared to 866,490 shares repurchased @ \$115.31 average price per share).

## DEBT

Certain debt measures are presented below:

<i>dollars in millions</i>	<b>September 30 2019</b>	<i>December 31 2018</i>	<i>September 30 2018</i>
<b>Debt</b>			
Current maturities of long-term debt	\$ 0.0	\$ 0.0	\$ 0.0
Short-term debt	0.0	133.0	200.0
Long-term debt <sup>1</sup>	2,783.1	2,779.4	2,778.1
<b>Total debt</b>	<b>\$ 2,783.1</b>	<b>\$ 2,912.4</b>	<b>\$ 2,978.1</b>
<b>Capital</b>			
Total debt	\$ 2,783.1	\$ 2,912.4	\$ 2,978.1
Equity	5,542.2	5,202.9	5,145.8
<b>Total capital</b>	<b>\$ 8,325.3</b>	<b>\$ 8,115.3</b>	<b>\$ 8,123.9</b>
<b>Total Debt as a Percentage of Total Capital</b>	<b>33.4%</b>	35.9%	36.7%
<b>Weighted-average Effective Interest Rates</b>			
Line of credit <sup>2</sup>	1.25%	1.25%	1.25%
Term debt	4.40%	4.56%	4.45%
<b>Fixed versus Floating Interest Rate Debt</b>			
Fixed-rate debt	73.7%	70.4%	68.8%
Floating-rate debt	26.3%	29.6%	31.2%

<sup>1</sup> Long-term debt includes the \$250.0 million floating-rate notes due June 2020 (see Note 7 to the condensed consolidated financial statements) as we intend to refinance these notes and have the ability to do so by borrowing on our line of credit.

<sup>2</sup> Reflects the margin above LIBOR for LIBOR-based borrowings; we also paid upfront fees that are amortized to interest expense and pay fees for unused borrowing capacity and standby letters of credit.

### LINE OF CREDIT

Covenants, borrowings, cost ranges and other details are described in Note 7 to the condensed consolidated financial statements. As of September 30, 2019, we were in compliance with the line of credit covenants, the credit margin for LIBOR borrowings was 1.25%, the credit margin for base rate borrowings was 0.25%, and the commitment fee for the unused amount was 0.15%.

As of September 30, 2019, our available borrowing capacity under the line of credit was \$696.7 million. Utilization of the borrowing capacity was as follows:

- none was borrowed
- \$53.3 million was used to provide support for outstanding standby letters of credit

### TERM DEBT

All of our \$2,846.4 million (face value) of term debt is unsecured. \$2,846.2 million of such debt is governed by three essentially identical indentures that contain customary investment-grade type covenants. The primary covenant in all three indentures limits the amount of secured debt we may incur without ratably securing such debt. As of September 30, 2019, we were in compliance with all term debt covenants.

As a result of the first quarter 2018 early debt retirements (see Note 7 to the condensed consolidated financial statements), we recognized premiums of \$5.6 million, transaction costs of \$1.3 million and noncash expense (acceleration of unamortized deferred transaction costs) of \$0.5 million. The combined charge of \$7.4 million was recorded as interest expense in the first quarter of 2018.

## CURRENT MATURITIES OF LONG-TERM DEBT

Current maturities of long-term debt as of September 30, 2019 were insignificant. As previously noted, long-term debt includes the \$250.0 million floating-rate notes due June 2020 as we intend to refinance these notes and have the ability to do so by borrowing on our line of credit.

## DEBT RATINGS

Our debt ratings and outlooks as of September 30, 2019 are as follows:

	<i>Rating/Outlook</i>	<i>Date</i>	<i>Description</i>
<b>Senior Unsecured Term Debt</b>			
Fitch	BBB-/stable	9/24/2018	rating/outlook affirmed
Moody's	Baa3/stable	3/29/2019	rating/outlook affirmed
Standard & Poor's	BBB/stable	4/4/2019	rating/outlook affirmed

## EQUITY

The number of our common stock issuances and purchases for the year-to-date periods ended are as follows:

<i>in thousands</i>	<i>September 30 2019</i>	<i>December 31 2018</i>	<i>September 30 2018</i>
Common stock shares at January 1, issued and outstanding	131,762	132,324	132,324
<b>Common Stock Issuances</b>			
Share-based compensation plans	607	630	587
<b>Common Stock Purchases</b>			
Purchased and retired	(19)	(1,192)	(866)
Common stock shares at end of period, issued and outstanding	132,350	131,762	132,045

On February 10, 2017, our Board of Directors authorized us to purchase 8,243,243 shares of our common stock to refresh the number of shares we were authorized to purchase to 10,000,000. As of September 30, 2019, there were 8,279,189 shares remaining under the authorization. Depending upon market, business, legal and other conditions, we may purchase shares from time to time through open market (including plans designed to comply with Rule 10b5-1 of the Securities Exchange Act of 1934) and/or privately negotiated transactions. The authorization has no time limit, does not obligate us to purchase any specific number of shares, and may be suspended or discontinued at any time.

The detail of our common stock purchases (all of which were open market purchases) for the year-to-date periods ended are as follows:

<i>in thousands, except average price</i>	<i>September 30 2019</i>	<i>December 31 2018</i>	<i>September 30 2018</i>
<b>Shares Purchased and Retired</b>			
Number	19	1,192	866
Total purchase price	\$ 2,602	\$ 133,983	\$ 99,916
Average price per share	\$ 139.90	\$ 112.41	\$ 115.31

There were no shares held in treasury as of September 30, 2019, December 31, 2018 and September 30, 2018.

## 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 7 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.

## 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, 2018 (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 consolidated financial statements, so we consider these to be our critical accounting policies. There have been no changes to our critical accounting policies during the nine months ended September 30, 2019.

## 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
- our dependence on the construction industry, which is subject to economic cycles
- the timing and amount of federal, state and local funding for infrastructure
- changes in the level of spending for private residential and private nonresidential construction
- changes in our effective tax rate
- 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, 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
- the highly competitive nature of the construction materials industry
- the impact of future regulatory or legislative actions, including those relating to climate change, wetlands, greenhouse gas emissions, the definition of minerals, tax policy or international trade
- the outcome of pending legal proceedings
- pricing of our products
- weather and other natural phenomena, including the impact of climate change
- 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
- volatility in pension plan asset values and liabilities, which may require cash contributions to the pension plans
- the impact of environmental cleanup costs and other liabilities relating to existing and/or divested businesses
- our ability to secure and permit aggregates reserves in strategically located areas
- our ability to manage and successfully integrate acquisitions
- the effect of changes in tax laws, guidance and interpretations
- significant downturn in the construction industry may result in the impairment of goodwill or long-lived assets
- changes in technologies, which could disrupt the way we do business and how our products are distributed
- other assumptions, risks and uncertainties detailed from time to time in our periodic reports filed with the SEC

All forward-looking statements are made as of the date of filing or publication. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law. 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 (SEC) 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](http://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

Our website also includes 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](http://www.sec.gov)).

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 Suzanne H. Wood, Senior Vice President, Chief Financial Officer and 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

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

The Charters of the Audit, Compensation and Governance Committees are available on our website under the heading, “Corporate Governance,” or you may request a copy of any of these documents by writing to Suzanne H. Wood, Senior Vice President, Chief Financial Officer and Secretary, Vulcan Materials Company, 1200 Urban Center Drive, Birmingham, Alabama 35242.

Information included on our website is not incorporated into, or otherwise made a part of, this report.

## MARKET RISK

We are exposed to certain market risks arising from transactions that are entered into in the normal course of business. To manage these market risks, we may use derivative financial instruments. We do not enter into derivative financial instruments for trading or speculative purposes.

As discussed in the Liquidity and Financial Resources section of Part I, Item 2, we actively manage our capital structure and resources to balance the cost of capital and risk of financial stress. Such activity includes balancing the cost and risk of interest expense. In addition to floating-rate borrowings, we at times use interest rate swaps to manage the mix of fixed-rate and floating-rate debt. Over time, our EBITDA and operating income are positively correlated to floating interest rates (as measured by 3-month LIBOR). As such, our business serves as a natural hedge to rising interest rates, and floating-rate debt serves as a natural hedge to weaker operating results due to general economic weakness.

At September 30, 2019, the estimated fair value of our long-term debt including current maturities was \$3,036.4 million compared to a book value of \$2,783.1 million. The estimated fair value was determined by averaging several asking price quotes for the 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 balance sheet date. The effect of a decline in interest rates of one percentage point would increase the fair value of our debt by approximately \$299.6 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 and the expected return on plan assets. 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.

## 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 Exchange Act of 1934 Rules 13a - 15(e) or 15d - 15(e)), include, without limitation, controls and procedures designed to ensure that such 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 September 30, 2019. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019.

No material changes were made during the third quarter of 2019 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, 2018 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 quarters ended March 31, 2019 and June 30, 2019. 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 Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

### ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of our equity securities during the quarter ended September 30, 2019 are summarized below.

<i>Period</i>	<i>Total Number of Shares Purchased</i>	<i>Average Price Paid Per Share</i>	<i>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</i>	<i>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs <sup>1</sup></i>
<b>2019</b>				
July 1 - July 31	0	\$ 0.00	0	8,297,789
Aug 1 - Aug 31	15,000	\$ 139.93	15,000	8,282,789
Sept 1 - Sept 30	3,600	\$ 139.78	3,600	8,279,189
<b>Total</b>	<b>18,600</b>	<b>\$ 139.90</b>	<b>18,600</b>	

<sup>1</sup> On February 10, 2017, our Board of Directors authorized us to purchase 8,243,243 shares of our common stock to refresh the number of shares we were authorized to purchase to 10,000,000. As of September 30, 2019, there were 8,279,189 shares remaining under the authorization. Depending upon market, business, legal and other conditions, we may make share purchases from time to time through open market (including plans designed to comply with Rule 10b5-1 of the Securities Exchange Act of 1934) and/or privately negotiated transactions. The authorization has no time limit, does not obligate us to purchase any specific number of shares, and may be suspended or discontinued at any time.

We did not have any unregistered sales of equity securities during the third quarter of 2019.

### 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.

Exhibit 10.1	<u>First Amendment to Credit Agreement dated as of August 16, 2019, among the Company and SunTrust Bank as Administrative Agent, and other parties named therein</u>
Exhibit 31(a)	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
Exhibit 31(b)	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
Exhibit 32(a)	<u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
Exhibit 32(b)	<u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
Exhibit 95	<u>MSHA Citations and Litigation</u>
Exhibit 101	The following unaudited financial information from this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows and (iv) the Notes to Condensed Consolidated Financial Statements.
Exhibit 104	Cover Page Interactive Data File – the cover page from this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 is formatted in iXBRL (contained in Exhibit 101).

Our SEC file number for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 001-33841.

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**

Date      November 7, 2019

   /s/ Randy L. Pigg  
   Randy L. Pigg  
   Vice President, Controller  
   (Principal Accounting Officer)

Date      November 7, 2019

   /s/ Suzanne H. Wood  
   Suzanne H. Wood  
   Senior Vice President, Chief Financial Officer and Secretary  
   (Principal Financial Officer)

VULCAN MATERIALS COMPANY  
FIRST AMENDMENT TO CREDIT AGREEMENT  
August 16, 2019

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment 1") is made and entered into as of August 16, 2019, by and among VULCAN MATERIALS COMPANY, a New Jersey corporation (the "Borrower"), each of the Guarantors (the Borrower and the Guarantors, collectively, the "Credit Parties"), the Lenders party hereto, and SUNTRUST BANK, as the Administrative Agent (the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower, the Guarantors, the Lenders, and the Administrative Agent are party to that certain Credit Agreement dated as of December 21, 2016 (as amended, restated, supplemented, or otherwise modified from time to time, the "Agreement");

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders make certain modifications to the Agreement, and the Administrative Agent and the Lenders party hereto have agreed to such modifications subject to the terms and conditions set forth below.

NOW, THEREFORE, for and in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto hereby covenant and agree as follows:

SECTION 1. Definitions. Unless otherwise specifically defined herein, each term used herein (and in the preamble and recitals above) which is defined in the Agreement shall have the meaning assigned to such term in the Agreement.

SECTION 2. Amendment to Agreement. Section 2.2(a) of the Agreement is amended by replacing the penultimate sentence thereof with the following:

Unless otherwise agreed by the Issuing Bank and the Borrower when a Letter of Credit is issued or amended, (i) for each Standby Letter of Credit, the rules of the International Standby Practices, International Chamber of Commerce Publication No. 590, or any subsequent revision or restatement thereof adopted by the International Chamber of Commerce and in use by the Issuing Bank, shall apply and (ii) for each Commercial Letter of Credit, the rules of the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce Publication No. 600, or any subsequent revision or restatement thereof adopted by the International Chamber of Commerce and in use by the Issuing Bank, shall apply.

SECTION 3. Representations and Warranties. Each Credit Party hereby represents and warrants to the Administrative Agent and the Lenders as follows:

(a) Each of the representations and warranties made by any Credit Party in or pursuant to the Loan Documents is true and correct in all material respects on and as of the date hereof as if made on and as of such date except to the extent that such representations and warranties relate to an earlier date, in which case such representation and warranty was true and correct in all material respects as of such earlier date.

(b) As of the date hereof there exists no Default or Event of Default and immediately after giving effect to this Agreement there will exist no Default or Event of Default.

(c) Each Credit Party has the power and is duly authorized to enter into, deliver, and perform this Amendment 1.

(d) This Amendment 1 is the legal, valid, and binding obligation of the Credit Parties enforceable against the Credit Parties in accordance with its terms.

SECTION 4. Conditions Precedent. This Amendment 1 shall become effective only upon the receipt by the Administrative Agent of this Amendment 1 duly executed by each of the Credit Parties, the Administrative Agent, the Issuing Banks and the Required Lenders.

SECTION 5. Miscellaneous Terms.

- (a) Loan Document. For avoidance of doubt, the Credit Parties, the Lenders party hereto, and the Administrative Agent hereby acknowledge and agree that this Amendment 1 is a Loan Document.
- (b) Effect of Amendment 1. Except as set forth expressly hereinabove, all terms of the Agreement and the other Loan Documents shall be and remain in full force and effect, and shall constitute the legal, valid, binding, and enforceable obligations of the Credit Parties.
- (c) No Novation or Mutual Departure. The Credit Parties expressly acknowledge and agree that (i) there has not been, and this Amendment 1 does not constitute or establish, a novation with respect to the Agreement or any of the other Loan Documents, or a mutual departure from the strict terms, provisions, and conditions thereof, other than with respect to the amendments contained in Section 2 above, and (ii) nothing in this Amendment 1 shall affect or limit the Administrative Agent's or any Lender's right to demand payment of liabilities owing from any Credit Party to the Administrative Agent or the Lender under, or to demand strict performance of the terms, provisions, and conditions of, the Agreement and the other Loan Documents, to exercise any and all rights, powers, and remedies under the Agreement or the other Loan Documents or at law or in equity, or to do any and all of the foregoing, immediately at any time after the occurrence of a Default or an Event of Default under the Agreement or the other Loan Documents.
- (d) Ratification. The Credit Parties hereby restate, ratify, and reaffirm all of their obligations and covenants set forth in the Agreement and the other Loan Documents to which they are parties effective as of the date hereof.
- (e) Claims. To induce the Administrative Agent and the Lenders to enter into this Amendment 1 and to continue to make advances pursuant to the Agreement (subject to the terms and conditions thereof), the Credit Parties hereby acknowledge and agree that, as of the date hereof, and after giving effect to the terms hereof, there exists no right of offset, defense, counterclaim, claim, or objection in favor of any Credit Party or arising out of or with respect to any of the Loans or other obligations of any Credit Party owed to the Administrative Agent and the Lenders under the Agreement or any other Loan Document.
- (f) Release. In consideration of the agreements contained herein, the Credit Parties hereby waive and release each of the Lender Group members and their respective directors, partners, officers, employees and agents, from any and all claims and defenses, known or unknown as of the date of this Amendment 1, with respect to the Agreement, the other Loan Documents and the transactions contemplated thereby on or before the date of this Amendment 1.
- (g) Counterparts. This Amendment 1 may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument.
- (h) Fax or Other Transmission. Delivery by one or more parties hereto of an executed counterpart of this Amendment 1 via facsimile, telecopy, or other electronic method of transmission pursuant to which the signature of such party can be seen (including, without limitation, Adobe Corporation's Portable Document Format) shall have the same force and effect as the delivery of an original executed counterpart of this Amendment 1.
- (i) Recitals Incorporated Herein. The preamble and the recitals to this Amendment 1 are hereby incorporated herein by this reference.
- (j) Section References. Section titles and references used in this Amendment 1 shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreements among the parties hereto evidenced hereby.
- (k) Further Assurances. The Credit Parties agree to take, at the Credit Parties' expense, such further actions as the Administrative Agent shall reasonably request from time to time to evidence the amendments set forth herein and the transactions contemplated hereby.
- (l) Governing Law. This Amendment 1 shall be governed by and construed and interpreted in accordance with the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York.
- (m) Severability. Any provision of this Amendment 1 which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof in that jurisdiction or affecting the validity or enforceability of such provision in any other jurisdiction.

(n) Reaffirmation of Guarantors. Each Guarantor (i) consents to the execution and delivery of this Amendment 1, (ii) reaffirms all of its obligations and covenants under the Agreement and the other Loan Documents to which it is a party, and (iii) agrees that none of its respective obligations and covenants shall be reduced or limited by the execution and delivery of this Amendment 1.

[SIGNATURES ON FOLLOWING PAGES]



**GUARANTORS:**

**AGGREGATES USA, LLC  
AGGREGATES USA (AUGUSTA), LLC  
AGGREGATES USA (MACON), LLC  
AGGREGATES USA (SAVANNAH), LLC  
AGGREGATES USA (SPARTA), LLC  
ARUNDEL COMPANY, LLC  
DMG EQUIPMENT COMPANY, LLC  
FLORIDA ROCK INDUSTRIES, INC.  
HARPER BROTHERS, LLC  
LEGACY VULCAN, LLC  
MARYLAND STONE, LLC  
MCCARTNEY CONSTRUCTION COMPANY, INC.  
MCCARTNEY CONSTRUCTION COMPANY, L.L.C.  
S & G CONCRETE COMPANY, LLC  
TCS MATERIALS, LLC  
VIRGINIA CONCRETE COMPANY, LLC  
VULCAN AGGREGATES COMPANY, LLC  
VULCAN CONSTRUCTION MATERIALS, LLC**

By:           /s/ C. Wes Burton, Jr.            
Name: C. Wes Burton, Jr.  
Title: Vice President and Treasurer

**FULTON CONCRETE COMPANY, LLC**

By:           /s/ C. Wes Burton, Jr.            
Name: C. Wes Burton, Jr.  
Title: Vice President and Assistant  
Treasurer

**CALMAT CO.  
SOUTHWEST GULF RAILROAD COMPANY  
TRIANGLE ROCK PRODUCTS, LLC**

By: /s/ C. Wes Burton, Jr.  
Name: C. Wes Burton, Jr.  
Title: Assistant Treasurer

**AZUSA ROCK, LLC  
VULCAN LANDS, INC.**

By: /s/ C. Wes Burton, Jr.  
Name: C. Wes Burton, Jr.  
Title: Assistant Secretary and Assistant  
Treasurer

**BLUE PINE HOLDINGS, LLC**

By: /s/ C. Wes Burton, Jr.  
Name: C. Wes Burton, Jr.  
Title: Treasurer

**VULCAN ASPHALT, LLC**

By: /s/ Michael R. Mills  
Name: Michael R. Mills  
Title: Vice President

**ADMINISTRATIVE AGENT, ISSUING  
BANKS AND LENDERS:**

**SUNTRUST BANK**, as the Administrative Agent, an Issuing Bank and a Lender

By: /s/ Chris Hursey  
Name: Chris Hursey  
Title: Director

**WELLS FARGO BANK, N.A.**, as an Issuing Bank and a Lender

By: /s/ Andrew Payne  
Name: Andrew Payne  
Title: Managing Director

**U.S. BANK NATIONAL ASSOCIATION**, as an Issuing Bank and a Lender

By: /s/ Jonathan F. Lindvall  
Name: Jonathan F. Lindvall  
Title: Senior Vice President

**BANK OF AMERICA, N.A.**, as an Issuing Bank and a Lender

By: /s/ Mike McKenzie  
Name: Mike McKenzie  
Title: Vice President

**REGIONS BANK**, as an Issuing Bank and a Lender

By: /s/ Cory D. Guillory  
Name: Cory D. Guillory  
Title: SVP & Director

**GOLDMAN SACHS BANK USA**, as a Lender

By: /s/ Jamie Minieri  
Name: Jamie Minieri  
Title: Authorized Signatory

**THE NORTHERN TRUST COMPANY**, as a Lender

By: /s/ Kimberly A. Crotty  
Name: Kimberly A. Crotty  
Title: Vice President

**SYNOVUS BANK**, as a Lender

By: /s/ Charles C. Clark, Jr.  
Name: Charles C. Clark, Jr.  
Title: Director



I, J. Thomas Hill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vulcan Materials Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date November 7, 2019

/s/ J. Thomas Hill  
J. Thomas Hill  
Chairman, President and Chief Executive Officer

I, Suzanne H. Wood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vulcan Materials Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date November 7, 2019

/s/ Suzanne H. Wood  
Suzanne H. Wood, Senior Vice President,  
Chief Financial Officer and Secretary

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
OF  
VULCAN MATERIALS COMPANY  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

I, J. Thomas Hill, Chairman, President and Chief Executive Officer of Vulcan Materials Company, certify that the Quarterly Report on Form 10-Q (the "report") for the quarter ended September 30, 2019, filed with the Securities and Exchange Commission on the date hereof:

- (i) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
- (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Vulcan Materials Company.

/s/ J. Thomas Hill  
J. Thomas Hill  
Chairman, President and Chief Executive Officer  
November 7, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Vulcan Materials Company and will be retained by Vulcan Materials Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
OF  
VULCAN MATERIALS COMPANY  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002**

I, Suzanne H. Wood, Senior Vice President, Chief Financial Officer and Secretary of Vulcan Materials Company, certify that the Quarterly Report on Form 10-Q (the "report") for the quarter ended September 30, 2019, filed with the Securities and Exchange Commission on the date hereof:

- (i) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
- (ii) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Vulcan Materials Company.

/s/ Suzanne H. Wood  
Suzanne H. Wood, Senior Vice President,  
Chief Financial Officer and Secretary  
November 7, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Vulcan Materials Company and will be retained by Vulcan Materials Company and furnished to the Securities and Exchange Commission or its staff upon request.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was enacted. Section 1503 of the Dodd-Frank Act requires companies that are “operators” (as such term is defined in the Federal Mine Safety and Health Act of 1977 (the Mine Act)) to disclose certain mine safety information in each periodic report to the Securities and Exchange Commission. This information is related to the enforcement of the Mine Act by the Mine Safety and Health Administration (MSHA).

The Dodd-Frank Act and the subsequent implementing regulation issued by the SEC require disclosure of the following categories of violations, orders and citations: (1) Section 104 S&S Citations, which are citations issued for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard; (2) Section 104(b) Orders, which are orders issued upon a follow up inspection where the inspector finds the violation previously cited has not been totally abated in the prescribed time period; (3) Section 104(d) Citations and Orders, which are issued upon violations of mandatory health or safety standards caused by an unwarrantable failure of the operator to comply with the standards; (4) Section 110(b)(2) Violations, which result from the reckless and repeated failure to eliminate a known violation; (5) Section 107(a) Orders, which are given when MSHA determines that an imminent danger exists and results in an order of immediate withdrawal from the area of the mine affected by the condition; and (6) written notices from MSHA of a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under Section 104(e). In addition, the Dodd-Frank Act requires the disclosure of the total dollar value of proposed assessments from MSHA under the Mine Act and the total number of mining related fatalities.

The following disclosures are made pursuant to Section 1503.

During the three months ended September 30, 2019, none of our operations: (i) received any orders under Section 104(b), which are issued upon a follow up inspection where the inspector finds the violation previously cited has not been totally abated in the prescribed time period; (ii) had any flagrant violations under Section 110(b)(2); (iii) received notice from MSHA of a pattern of violations of mandatory health or safety standards under Section 104(e); or (iv) had any mining related fatalities.

### THIRD QUARTER 2019

The table below sets forth, by mine, the total number of citations and/or orders issued by MSHA during the period covered by this report under the indicated provisions of the Mine Act, together with the total dollar value of proposed assessments, if any, from MSHA, received during the three months ended September 30, 2019. Of our 254 active MSHA-regulated facilities during the quarter, we received 123 federal mine safety inspections at 109 facilities during the reporting period. Of our inspected facilities, 103 did not receive any reportable citations or orders.

Name of Operation	Number of Inspections	Total Number of S&S Citations	Mine Act § 104(b) Orders	Mine Act § 104(d) Citations and Orders	Mine Act § 110(b)(2) Violations	Mine Act § 107(a) Orders	Total Dollar Value of Proposed MSHA Assessments (dollars in thousands)	Total Number of Mining Related Fatalities	Received Written Notice under Mine Act § 104(e) (yes/no)
BOONE, NC	1	1	0	0	0	0	\$0.8	0	No
CHATTANOOGA, TN	2	1	0	0	0	0	\$0.0	0	No
GRAHAM VA, VA	1	2	0	0	0	0	\$0.0	0	No
GRAND RIVERS, KY	2	2	0	0	0	0	\$0.9	0	No
KANKAKEE, IL	2	2	0	0	0	0	\$0.0	0	No
RIVER ROAD, TN	0	1	0	1	0	0	\$0.0	0	No
WEST BROADWAY, AZ	1	1	0	0	0	0	\$0.0	0	No
OTHER OPERATIONS - 103	114	0	0	0	0	0	\$0.0	0	No
<b>Total</b>	<b>123</b>	<b>10</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>\$1.7</b>	<b>0</b>	

The total dollar value of proposed assessments received during the three months ended September 30, 2019 for all other citations, as well as proposed assessments received during the reporting period for citations previously issued, is \$19,732.

The table below sets forth, by mine, category of legal action and number of legal actions pending before the Federal Mine Safety and Health Review Commission as of September 30, 2019.

Name of Operation	Number of Legal Actions		
	Contest Penalty	Contest Citations	Complaint of Discharge, Discrimination
None			

The table below sets forth, by mine, category of legal action and number of legal actions filed before the Federal Mine Safety and Health Review Commission during the three months ended September 30, 2019.

Name of Operation	Number of Legal Actions		
	Contest Penalty	Contest Citations	Complaint of Discharge, Discrimination
BLAIRSVILLE QUARRY, GA	1	0	0
KNIPPA QUARRY, TX	1	0	0

The table below sets forth, by mine, category of legal action and number of legal actions resolved (disposed) by the Federal Mine Safety and Health Review Commission during the three months ended September 30, 2019.

Name of Operation	Number of Legal Actions		
	Contest Penalty	Contest Citations	Complaint of Discharge, Discrimination
FORT PAYNE QUARRY, AL	1	0	0
HARVE DE GRACE QUARRY, MD	1	0	0
NORTH TROY, OK	2	0	0