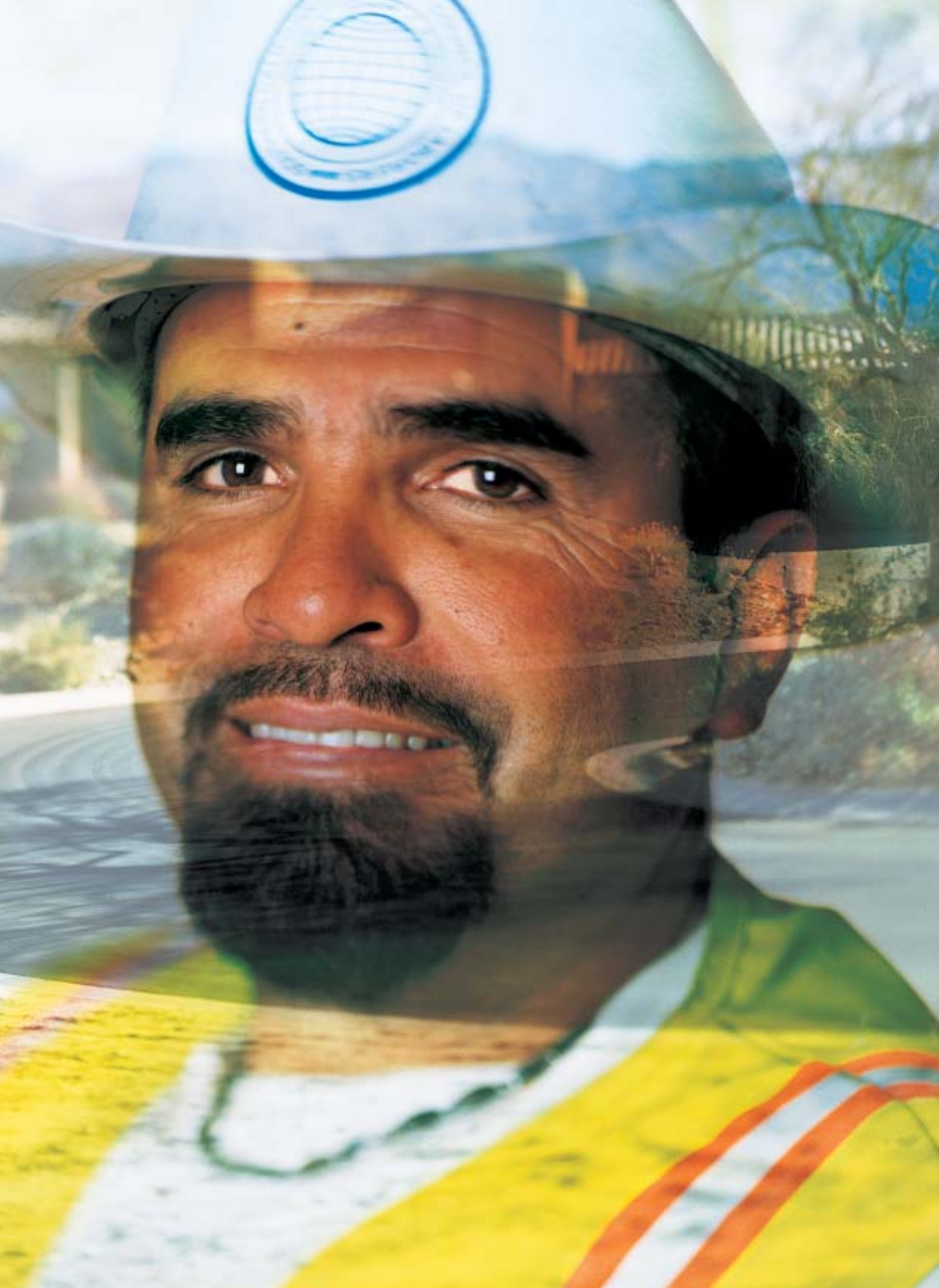


TO GET PEOPLE THERE, GRANITE IS HERE



In this section of Granite's 2001 Annual Report: Profiles of Granite people, information about Granite, the Letter to Shareholders, financial tables and other corporate information.

Across the United States, Granite is at work creating the infrastructure that improves the lives of millions of people. From New York to California and Florida to Washington, the skilled people at Granite are building roads, mass transit, bridges, tunnels and airports—transportation infrastructure on which the country moves. Granite is a company made up of experienced, enthusiastic, dedicated people who build things that last.



What may not be obvious in the hot sun of Palm Springs when you meet RAFAEL “RALPH” SARABIA, are the 16 years of construction experience he has under his belt. He has worked most jobs on a construction site and has learned how the pieces fit together. Ralph is one of many skilled foremen in the Branch Division who are unusually effective not only because of their experience, but also because they can draw on Granite’s substantial resources for training, expertise and support. Ralph and his crew start with a few surveyors’ stakes and a set of drawings as reference. Then they organize the daily construction activity: what materials will be needed and when, what dirt will be moved where, what drainage will be installed, and what construction equipment will move across the site—grading, unloading materials and paving.

TO GET PEOPLE THERE, GRANITE IS HERE—whether in a neighborhood, a community or covering the distances between cities or across states. Absolutely central to Granite’s success has been its small job/large job capability. By becoming a strong presence in local markets with people like Ralph, Granite spreads risk across a diverse range of project types, sizes and markets. Through its two operating divisions, Granite achieves geographic diversity by working in many local markets across the West and on major projects throughout the United States.

As a new immigrant to the United States, MIKE MCLOUGHLIN was assigned to help put a new roof on the building that was to become the centerpiece of the Ellis Island National Immigration Museum. That roof was his first construction project in this country. Today, as an area manager for Granite Halmar in Mount Vernon, New York, Mike's job is to get projects built in this city of immigrants—one of the busiest and most diverse places in the world. Succeeding at this task involves more than providing construction expertise and managing manpower, materials and equipment. Mike must also help the agencies, authorities and sub-contractors involved in a project communicate effectively with each other. The International Arrivals Terminal (Terminal 4) at Kennedy, which opened to traffic on May 5, 2001, was built in the midst of an operating and extremely busy airport. In addition to the terminal itself, Mike and his crew had to build new entrance roads, ramps and foundations. By partnering with key stakeholders at every level, the terminal was completed on time and airport operations didn't miss a beat.

Every public project that Granite undertakes involves multiple stakeholders—local, state and federal agencies, operating authorities and multiple departments within an involved agency. Granite subscribes to an organized partnering process on all major projects. This process adds an important dimension to a construction project by defining all stakeholders as partners and establishing comprehensive problem resolution and communication processes. Strategically, it helps ensure that when the dirt is moved, utilities are installed and the concrete is placed, every stakeholders' interests have been met or surpassed.





DESIGN-BUILD: PROVIDING LEADERSHIP IN NEW APPROACHES

Granite's Heavy Construction Division has kept KEN BESSE on the move—from the Helms Pumped Storage Project in Fresno to the Deep Tunnel Runoff Reservoir in Chicago to dams in Mississippi, Texas and Colorado to mass transit projects near San Francisco and in Los Angeles to highways in Florida and Arizona. Increasingly, his projects are “design-build”—a fundamental shift in the bidding and managing of large construction projects by public agencies. Ken's last two projects, the award-winning Interstate 17 in Phoenix and now the Hiawatha Light Rail project, were design-build contracts.

Rather than building a project from someone else's plans, under the “DESIGN-BUILD” approach, Granite gets involved in a project when engineering drawings are 10 to 30 percent complete. Granite then works closely with the engineering firm involved to complete the design and, concurrently, begins construction. In addition to shortening the schedule and reducing the cost of most projects, design-build simplifies project management for the contracting agency by creating a single point of contact. By their nature, these projects require closer collaboration and greater teamwork throughout the process. Design innovation and flexibility are enhanced because of the continuous coordination between engineers and construction managers who work together under one organizational roof. Granite has become a leader in this new approach with design-build projects representing approximately 50 percent of Heavy Construction Division's current backlog.

There is something about construction that draws young people in and keeps them interested. For BRAD SPRING, fresh out of high school, the money was good and the work was satisfying and consistently challenging. Running three of Granite’s numerous asphalt concrete plants keeps Brad and his crew of nine busy these days. They don’t just make asphalt using the original 200-year-old recipe and drop it in a truck anymore. Like everything else, pavement has become increasingly high tech. Roads need to last longer and stand up better to traffic and weather, while also incorporating recycled material. This means testing against performance requirements in Granite’s quality control labs and, for experimental new surfaces, running vehicles over them 24/7 on a test track built by Granite. Brad and his crew pay careful attention to these tasks—it’s their families, friends and neighbors using those roads every day.

Granite Construction owns and operates over 120 CONSTRUCTION MATERIALS PROCESSING PLANTS throughout the western United States. Granite’s goal is to maintain 30 years of mining reserves at each of its quarry locations. By producing its own aggregate and asphalt concrete, Granite develops a competitive advantage on its projects—adding to its profitability. While approximately half the aggregate products produced in its materials plants are used in Granite’s construction projects, the balance is sold to third parties—representing about 12 percent of Granite’s revenues.

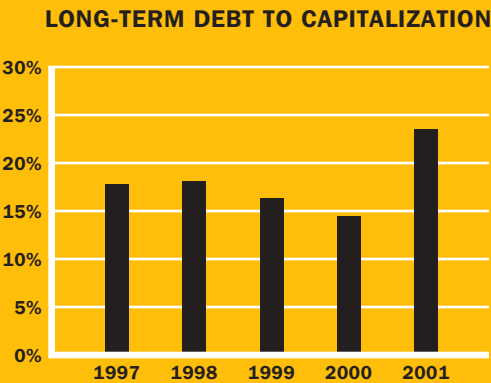
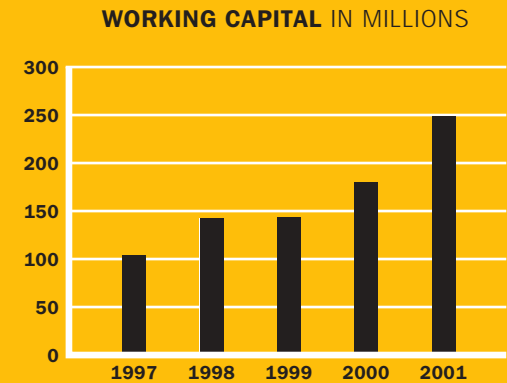
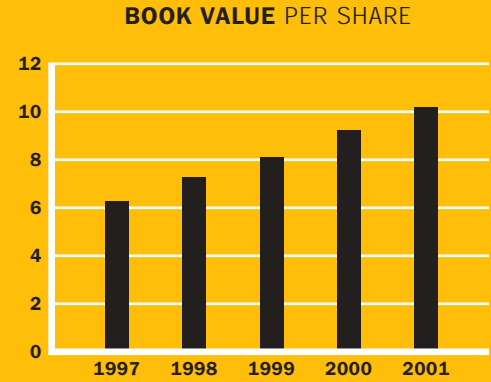
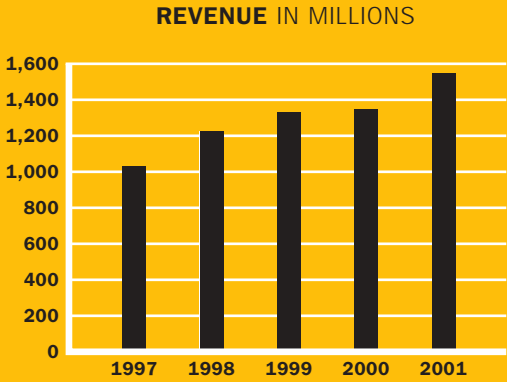




One can just picture DIANE ROBERTS smiling as she drove a tractor on her parents' New Hampshire dairy farm when she was so young her feet could barely reach the pedals. Soon enough she was running heavy equipment for her dad's construction business. By 1986 she had found her way to Granite Construction in Arizona, and she became a project superintendent for the Company within a few years. Recently, Diane and her Granite crews completed the Mt. Lemmon Highway project—an award-winning project in Tucson. In addition to supervising construction activities, her responsibilities included taking care of the people who regularly used the road. The people who live on Mt. Lemmon threw a party for Diane and her Granite crew when they finished, happy with the result and happy with the care taken to keep the road open and usable during construction. Diane's not driving a tractor anymore, but she's still smiling.

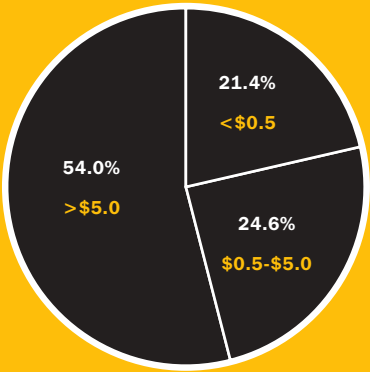
Granite's impeccable reputation was built on the core values that have guided Granite throughout its 80 years. Integrity, honesty, fairness, concern for the environment and the communities in which its employees live and work guide Granite's decisions every day. These core values show up in the care taken with the environment on a project like Mt. Lemmon Highway. They are evident in the concern for safety during construction projects. Granite's core values influence its commitment to partner with project stakeholders as a means to ensuring that all stakeholders are able to achieve their goals. The results for Granite have been very positive—the Company is invited to bid on thousands of jobs, large and small, and is trusted to do a good job on each of them.

FINANCIAL CHARTS



DIVERSITY OF CONTRACT VALUE AS A PERCENT OF REVENUE

TOTAL 2001 REVENUE: \$1,548 MILLION



To our Shareholders,

Granite had a busy and productive year in 2001, improving the infrastructure that moves America. This eventful and positive year for your Company included an acquisition, many new contract awards, and steady operational and financial performance in a tough economic period for our country.

Our financial performance demonstrated the underlying strength of our diversified business model and the impact of a new acquisition. Both revenue and backlog increased during the year: revenues by 14.8% and year-end backlog by 22.9%. Our excellent progress on increasing revenues and backlog reflected exceptional performance by both divisions and was further augmented by the acquisition of Halmar Builders of New York, Inc., and its revenues and backlog from mid-year forward. As expected, the bottom line did not improve—in fact; net income was down by 9.5% influenced largely by three items: a less profitable mix of jobs compared to 2000, a one time reduction in margin for one large joint venture project, and a disproportionate number of Heavy Construction Division projects less than 25% complete (when we book revenue equal to cost but don't yet recognize margin). I characterize all of these as falling into the normal variation we encounter in our industry—none of these represent a trend. In fact, the growth in our top line and the size and quality of our backlog indicate deep strength in both Granite's performance and prospects for future earnings growth.

Local, state and federal governments continued to invest strongly in transportation infrastructure. Housing starts also remained strong and influenced the record performance of the Branch Division. In a healthy yet competitive bidding environment, Granite has continued to prosper—adding almost a dozen major new projects to our backlog,

including the \$119.8 million design-build reconstruction of Superstition Freeway in Arizona.

A continuing and key element of our strategy is to grow externally by acquiring companies or assets that fit our growth strategy and expectations. To that end, Granite Halmar Construction Company, Inc. enables us to gain access to the approximately \$6.0 billion-a-year New York-area market and contributes directly to our long-term strategy of expanding our operations nationwide. In addition, this acquisition brings a group of highly skilled and dedicated people with a culture and work ethic that match well with Granite's. The integration of our operations has gone well due to the excellent work by the transition teams.

We increasingly envision ourselves as a transportation and infrastructure supplier in the broadest sense. As we look for quality acquisition candidates, we look for ways to profitably expand our core aggregate and construction business, as well as other links in the value chain of the infrastructure business that offer strategic competitive advantages. In addition, we have been leaders in the design-build concept, bringing design services to our customers through dedicated contract relationships with leading design firms.

Last year, I mentioned the start of the Employee Development Initiative. I am pleased to report that this initiative has picked up considerable momentum thanks to a dedicated team of Employee Development Leaders—operational people who have volunteered two to three years to this critically important task. While still early in this initiative, we are already experiencing higher levels of employee engagement and increased collaboration as over 22 communities of learning have emerged. Granite's strength has always been in the depth of its employees' expertise, and today this know-how is moving to where it is needed, when it is

needed and with unprecedented speed. Granite's capacity for learning and change is growing rapidly, and as it becomes a core competency, it will become a competitive advantage that is sustainable.

Another area of major emphasis over the past five years has been with our company-wide, top-down training programs and employee orientation focused on the importance of good character and doing the right thing. Far beyond compliance, our management team has taken an unequivocal stand regarding ethical operations, emphasizing Granite's Code of Conduct and eight core values. As a Company, we believe our resolve to maintain conservative accounting practices and hold ourselves to the highest moral standards will help us steer clear of the ethical crises that are becoming far too prevalent in corporate America. We continue to focus on building a company filled with purpose, character, and intelligence and we are dedicated to building long-term value for you, our shareholders, by being the best construction company for America.

On behalf of the Officers and Directors of the Company, I extend thanks to the people of Granite who live Granite's core values and to our customers who have learned to trust and rely on Granite. Your Company continues to grow and prosper.



David H. Watts
Chairman, President and
Chief Executive Officer
March 22, 2002



SELECTED CONSOLIDATED FINANCIAL DATA

Years Ended December 31,	2001	2000	1999	1998	1997
<i>(In Thousands, Except Per Share Data)</i>					
Operating Summary					
Revenue	\$ 1,547,994	\$ 1,348,325	\$ 1,328,774	\$ 1,226,100	\$ 1,028,205
Gross profit	183,616	190,618	179,201	153,092	111,730
As a percent of revenue	11.9%	14.1%	13.5%	12.5%	10.9%
General and administrative expenses	119,282	105,043	94,939	83,834	73,593
As a percent of revenue	7.7%	7.8%	7.1%	6.8%	7.2%
Net income	50,528	55,815	52,916	46,507	27,832
As a percent of revenue	3.3%	4.1%	4.0%	3.8%	2.7%
Net income per share:*					
Basic	\$ 1.27	\$ 1.41	\$ 1.35	\$ 1.17	\$ 0.70
Diluted	1.24	1.38	1.31	1.13	0.69
Weighted average shares of common and common stock equivalents outstanding:*					
Basic	39,794	39,584	39,087	39,839	39,596
Diluted	40,711	40,409	40,445	41,009	40,413
Financial Position Summary					
Total assets	\$ 929,684	\$ 711,142	\$ 679,572	\$ 626,571	\$ 551,809
Cash, cash equivalents and short-term investments	193,233	100,731	108,077	121,424	72,769
Working capital	248,413	180,051	143,657	142,448	103,910
Current maturities of long-term debt	8,114	1,130	5,985	10,787	12,921
Long-term debt	131,391	63,891	64,853	69,137	58,396
Stockholders' equity	418,502	377,764	327,732	301,282	257,434
Backlog					
	\$ 1,377,172	\$ 1,120,481	\$ 793,256	\$ 901,592	\$ 909,793

* On February 21, 2001, the Company announced a three-for-two stock split in the form of a 50 percent stock dividend payable on April 13, 2001. All per share amounts are calculated on a post split basis.

Refer to the Granite 2001 Annual Report on Form 10-K for a complete set of consolidated financial statements and their accompanying notes that are an integral part of the above financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,	2001	2000	1999
<i>(In Thousands, Except Per Share Data)</i>			
Revenue			
Construction	\$ 1,358,124	\$ 1,188,430	\$ 1,169,755
Material sales	189,870	159,895	159,019
Total revenue	1,547,994	1,348,325	1,328,774
Cost of revenue			
Construction	1,209,968	1,020,317	1,015,041
Material sales	154,410	137,390	134,532
Total cost of revenue	1,364,378	1,157,707	1,149,573
Gross profit	183,616	190,618	179,201
General and administrative expenses	119,282	105,043	94,939
Operating income	64,334	85,575	84,262
Other income (expense)			
Interest income	10,806	11,646	8,682
Interest expense	(8,829)	(8,954)	(8,791)
Gain on sales of property and equipment	8,917	2,584	4,544
Other, net	6,269	2,019	(2,654)
	17,163	7,295	1,781
Income before provision for income taxes	81,497	92,870	86,043
Provision for income taxes	30,969	37,055	33,127
Net income	\$ 50,528	\$ 55,815	\$ 52,916
Net income per share			
Basic	\$ 1.27	\$ 1.41	\$ 1.35
Diluted	\$ 1.24	\$ 1.38	\$ 1.31
Weighted average shares of common and common stock equivalents outstanding			
Basic	39,794	39,584	39,087
Diluted	40,711	40,409	40,445
Dividends per share	\$ 0.32	\$ 0.29	\$ 0.27

Refer to the Granite 2001 Annual Report on Form 10-K for a complete set of consolidated financial statements and their accompanying notes that are an integral part of the above financial statements.

CONSOLIDATED BALANCE SHEETS

December 31,	2001	2000
<i>(In Thousands, Except Share and Per Share Data)</i>		
Assets		
Current assets		
Cash and cash equivalents	\$ 125,174	\$ 57,759
Short-term investments	68,059	42,972
Accounts receivable	277,684	221,374
Costs and estimated earnings in excess of billings	49,121	19,473
Inventories	19,746	16,747
Deferred income taxes	13,185	15,857
Equity in construction joint ventures	23,073	25,151
Other current assets	10,874	12,295
Total current assets	586,916	411,628
Property and equipment	262,423	249,077
Investments in affiliates	50,094	40,052
Other assets	30,251	10,385
	\$ 929,684	\$ 711,142
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt	\$ 8,114	\$ 1,130
Accounts payable	129,515	90,111
Billings in excess of costs and estimated earnings	114,991	57,412
Accrued expenses and other current liabilities	85,883	82,924
Total current liabilities	338,503	231,577
Long-term debt	131,391	63,891
Other long-term liabilities	10,026	6,370
Deferred income taxes	31,262	31,540
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.01 par value, authorized 3,000,000 shares, none outstanding	—	—
Common stock, \$0.01 par value, authorized 100,000,000 shares, issued and outstanding 41,089,487 shares in 2001 and 40,881,908 in 2000	411	409
Additional paid-in capital	62,380	56,381
Retained earnings	367,546	330,172
Accumulated other comprehensive loss	(440)	—
	429,897	386,962
Unearned compensation	(11,395)	(9,198)
	418,502	377,764
	\$ 929,684	\$ 711,142

Refer to the Granite 2001 Annual Report on Form 10-K for a complete set of consolidated financial statements and their accompanying notes that are an integral part of the above financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2001	2000	1999
Operating Activities			
Net income	\$ 50,528	\$ 55,815	\$ 52,916
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	50,017	44,624	42,363
Gain on sales of property and equipment	(8,917)	(2,584)	(4,544)
Gain on sale of investment	—	(636)	—
Deferred income taxes	5,665	2,245	1,043
Amortization of unearned compensation	4,973	5,901	4,834
Common stock contributed to ESOP	—	632	2,146
Equity in income of affiliates	(5,289)	(57)	5,292
Other	—	150	(424)
Changes in assets and liabilities:			
Accounts and notes receivable	(10,973)	(11,287)	(34,106)
Inventories	(2,999)	(2,624)	(50)
Equity in construction joint ventures	2,078	5,460	(10,591)
Other assets	1,929	(1,933)	1,327
Accounts payable	(4,773)	(5,551)	7,468
Billings in excess of costs and estimated earnings, net	37,432	(15,598)	18,285
Accrued expenses and other liabilities	4,960	289	14,028
Net cash provided by operating activities	124,631	74,846	99,987
Investing Activities			
Purchases of short-term investments	(139,092)	(84,671)	(98,082)
Maturities of short-term investments	113,295	87,944	110,791
Additions to property and equipment	(65,265)	(52,454)	(82,035)
Proceeds from sales of property and equipment	14,790	4,691	9,130
Proceeds from sale of investment	—	5,000	—
Investment in affiliates	(7,753)	(21,220)	1,083
Advances to affiliates	(9,475)	—	—
Proceeds from repayment of advances to affiliates	6,375	—	—
Acquisition of Halmar Builders of New York Inc., net of cash received	(11,400)	—	—
Other investing activities	1,402	1,744	4,909
Net cash used by investing activities	(97,123)	(58,966)	(54,204)
Financing Activities			
Proceeds from long-term debt	103,000	—	—
Repayments of long-term debt	(48,048)	(5,817)	(10,786)
Employee stock options exercised	—	431	39
Repurchase of common stock	(2,455)	(2,854)	(25,029)
Dividends paid	(12,590)	(11,713)	(10,645)
Net cash provided (used) by financing activities	39,907	(19,953)	(46,421)
Increase (decrease) in cash and cash equivalents	67,415	(4,073)	(638)
Cash and cash equivalents at beginning of period	57,759	61,832	62,470
Cash and cash equivalents at end of period	\$ 125,174	\$ 57,759	\$ 61,832
Supplementary Information			
Cash paid during the period for:			
Interest	\$ 6,709	\$ 6,387	\$ 5,926
Income taxes	17,499	28,060	24,210
Noncash investing and financing activity:			
Restricted stock issued for services	\$ 7,170	\$ 6,912	\$ 6,429
Dividends accrued but not paid	3,289	2,725	1,890
Financed acquisition of property and equipment	—	—	1,700

Refer to the Granite 2001 Annual Report on Form 10-K for a complete set of consolidated financial statements and their accompanying notes that are an integral part of the above financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and the Stockholders of Granite Construction Incorporated:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Granite Construction Incorporated and its subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, of stockholders' equity and of cash flows for each of the three years in the period ended December 31, 2001 (not presented herein); and in our report dated February 15, 2002, except for Note 17 (Asset Purchase Agreements), as to which the date is March 8, 2002, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying consolidated balance sheets, statements of income and of cash flows are fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



PricewaterhouseCoopers LLP
San Jose, California
February 15, 2002

Forward-Looking Disclosure

This report contains forward-looking statements, such as statements related to public sector funding levels, growth expectations, the economy in general, design-build opportunities and external drivers of our business going forward. All such forward-looking statements are subject to risks and uncertainties that could cause actual results of operations and financial condition and other events to differ materially from those expressed or implied in such forward-looking statements. Specific risk factors include, without limitation: changes in the composition of applicable federal and state legislation appropriation committees; federal and state appropriation changes for infrastructure spending; the general state of the economy; weather conditions; competition and pricing pressures; and state referendums and initiatives. For additional information, please see Granite 2001 Annual Report on Form 10-K.

Officers

David H. Watts	Chairman of the Board, President and Chief Executive Officer
William G. Dorey	Executive Vice President and Chief Operating Officer
Patrick M. Costanzo	Senior Vice President and Manager, Heavy Construction Division
Mark E. Boitano	Senior Vice President and Manager, Branch Division
William E. Barton	Senior Vice President and Chief Financial Officer
Roxane C. Allbritton	Vice President and Treasurer
Michael Futch	Vice President, General Counsel and Secretary
Garry M. Higdem	Vice President and Assistant Manager, Heavy Construction Division
James H. Roberts	Vice President and Assistant Manager, Branch Division
Michael L. Thomas	Vice President and Director of Human Resources
David R. Grazian	Director of Corporate Taxation and Assistant Secretary
Mary McCann-Jenni	Controller and Assistant Secretary

Board of Directors

David H. Watts	Chairman of the Board, President and Chief Executive Officer
Joseph J. Barclay	Former Chairman of the Board, President and Chief Executive Officer, Cascade Corporation
Richard M. Brooks	Financial Consultant
Linda Griego	President and Chief Executive Officer, Griego Enterprises, Inc.
Brian C. Kelly	Construction Consultant
Rebecca A. McDonald	President, Houston Museum of Natural Science
Raymond E. Miles	Professor Emeritus and former Dean of Walter A. Haas School of Business, University of California, Berkeley
J. Fernando Niebla	President, International Technology Partners L.L.C.
George B. Searle	President, Searle Associates, Inc.

Annual Stockholders' Meeting	Annual report and proxy statements are mailed about April 19, 2002. Granite's annual meeting of stockholders will be held at 10:30 a.m. on May 20, 2002 at the Embassy Suites, 1441 Canyon Del Rey, Seaside, California.
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Common Stock Information	At March 13, 2002, there were 41.1 million shares outstanding and approximately 836 stockholders of record of Granite's common stock. On March 13, 2002, the last reported sale of common stock was \$23.05.
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Dividend Policy	The Company expects to pay a quarterly cash dividend of \$0.08 per share of common stock payable on April 15, 2002 to stockholders of record March 29, 2002. Declaration and payment of dividends is within the sole discretion of the Company's Board of Directors, subject to limitations imposed by Delaware law, and will depend on the Company's earnings, capital requirements, and financial condition and other such factors as the Board deems relevant.
Company Contacts	Stockholder Information: Michael Lawson, Director of Corporate Communications (831) 724-1011 Michael.Lawson@gcinc.com Jacqueline Underdown, Investor Relations Manager (831) 761-4741 Jacque.Underdown@gcinc.com
Registrar and Transfer Agent	Registrar and Transfer Company, 10 Commerce Drive, Cranford, NJ 07016, (800) 368-5948
Form 10-K	A copy of the form 10-K, which is filed with the Securities and Exchange Commission, is available upon request. Write to Investor Relations, Granite Construction Incorporated, Box 50085, Watsonville, CA 95077-5085. Financial and other information is also available on the Internet at www.graniteconstruction.com .
Independent Accountants	PricewaterhouseCoopers LLP Ten Almaden Blvd., Suite 1600 San Jose, CA 95113
Internet	An electronic version of this report can also be found on Granite's website located at www.graniteconstruction.com .

Heavy Construction Division

585 W. Beach Street
Watsonville, CA 95076
(831) 722-2716

Texas Regional Office
701 E. Main Street
Lewisville, TX 75057
(972) 874-8724

Austin Estimating Office
1106 Clayton Lane, #130E
Austin, TX 78723
(512) 451-8545

Tampa Estimating Office
6215 E. Sligh Avenue
Tampa, FL 33617
(813) 623-5877

Atlanta Estimating Office
920 Holcomb Bridge Road, Ste. 350
Roswell, GA 30076
(770) 650-1771

Granite Halmar Construction Company, Inc.

160 W. Lincoln Avenue
Mount Vernon, NY 10550
(914) 668-9500

Branch Division

Arizona
4115 E. Illinois Street
Tucson, AZ 85714
(520) 748-8000

Bakersfield
3000 James Road
Bakersfield, CA 93308
(661) 399-3361

Central Valley
11280 Avenue 10½
Hanford, CA 93230
(559) 584-2989

Monterey Bay
580 W. Beach Street
Watsonville, CA 95076
(831) 763-6100

Nevada
1900 Glendale Avenue
Sparks, NV 89431
(775) 358-8792

Sacramento
4001 Bradshaw Road
Sacramento, CA 95827
(916) 855-4400

San Jose
120 Granite Rock Way
San Jose, CA 95136
(408) 224-4124

Santa Barbara
5335 Debbie Lane
Santa Barbara, CA 93111
(805) 964-9951

Southern California
38000 Monroe Street
Indio, CA 92203
(760) 775-7500

Stockton
10500 S. Harlan Road
French Camp, CA 95231
(209) 982-4750

Utah
100 N. Warm Springs Road
Salt Lake City, UT 84116
(801) 526-6000

Granite Land Company

601 University Avenue, #127
Sacramento, CA 95825
(916) 564-8844

Incorporated in 1922, GRANITE CONSTRUCTION builds roads, tunnels, bridges, airports and other infrastructure-related projects used by millions of people. In addition, Granite produces sand, gravel, ready-mix and asphalt concrete and other construction materials. Unusual among large contractors, Granite handles both large and small jobs through its two operating divisions. The Branch Division serves local markets in the West and builds smaller, shorter duration projects. The Heavy Construction Division (HCD) builds larger, more complex projects, nationwide.



GRANITE IS HERE, TO GET PEOPLE THERE



In this section of Granite's 2001 Annual Report: Profiles of people who use transportation infrastructure and information about Granite.

Across the United States, people's lives depend on and are improved by the infrastructure that Granite builds. People take trains, ride subways or drive cars over bridges, through tunnels and on roads built by Granite. Ordinary people live in neighborhoods, attend school, work in communities and play golf in areas Granite helps bring to life. These are the people who live in the world that Granite is helping to build.



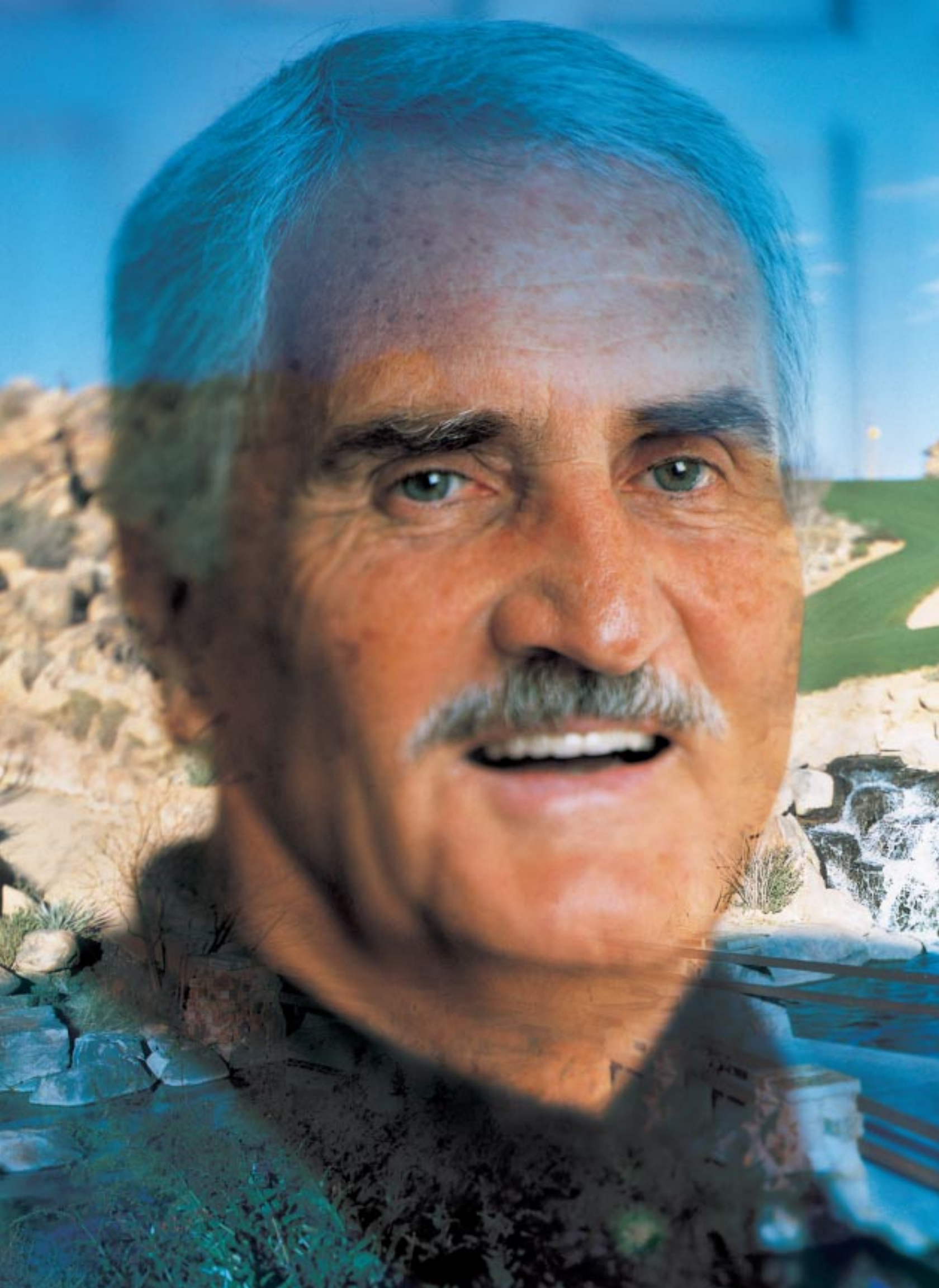
Six thousand miles in three months. ED COOPER likes the open road. Raised as much in Europe as in the U.S. by parents in the military, today he chooses his own destinations. When he's not representing the Social Security Administration to claimants, he and his wife are skiing, snowboarding, visiting friends, biking or hiking. Last month he was off to Phoenix, then Tucson and back to San Bruno. A couple of times a month he visits Monterey and Lake Tahoe and Ojai. Many of the roads on which Ed spends so much time were improved and built by Granite Construction. Granite has been working on California roads since 1922 and today does more highway construction projects in the state than any other company. Ed appreciates the good work and he'd like to keep moving, if you don't mind.

GRANITE IS HERE TO GET PEOPLE THERE. Transportation infrastructure is central to the economic strength of the United States and to our ability to stay connected to family and friends. Granite Construction is one of the largest infrastructure contractors in the country—steadily growing and building value for its stakeholders.

THE BRANCH DIVISION — SMALL JOBS MAKE A BIG DIFFERENCE

People from all over the country and the world come to live and golf in Palm Springs, including BOB MCCREARY and his wife. Bob has lived and worked in a few other places, including very cold places like Kodiak Island before returning to the desert. In addition to many hours of golf each week, Bob sells houses—houses built on land often prepared by Granite with streets, driveways, drainage, and utilities and within reach of one of the several Granite-built golf courses in the area. This is the kind of work Granite must have been doing the other day as Bob sat with a client at lunch counting the Granite trucks passing by outside. It was Wednesday afternoon and the sun was high, and Bob always has his clubs in his trunk. Did somebody say golf?

GRANITE'S BRANCH DIVISION consists of 11 primary branch offices with 16 satellite offices throughout California, Nevada, Utah and Arizona that serve local markets, like Indian Wells and Palm Springs. These branches are an integral part of local markets and are generally considered local businesses by their communities. Each nurtures long-term relationships by earning a reputation for reliability, quality work, fairness and community involvement. The more than 4,000 projects completed during the year by the branches included roads, streets, bridges, and site development for subdivisions, golf courses and other facilities.





BRIAR SAURO, a school librarian, sits in front of her kindergartners, reading *Chrysanthemum*, one of her favorite children's books, out loud. It is the story of a child teased because of her name—Briar can relate. Briar lives in Brooklyn, a 30-minute subway ride away from work. Her car sits idle most of the time, in a city where mass transit is plentiful and easy—transportation infrastructure that Granite is building and improving. This is fortunate for Briar since she would rather work her way through an armload of new children's books during a subway ride—than drive.

GRANITE'S HEAVY CONSTRUCTION DIVISION (HCD), and its newly acquired subsidiary Granite Halmar, concentrates its resources on seeking out and building major infrastructure projects throughout the nation including highways, mass transit facilities, pipelines, tunnels, bridges, large dams, and airports. For example, in September 2001, Granite Halmar, as a part of a joint venture, was awarded the contract for the reconstruction of the Stillwell Avenue Terminal, a major project worth \$113.9 million to Granite. Beyond its current backlog, Granite Halmar is targeting approximately \$1.5 billion in new subway and road improvement work in the New York City area. Large heavy construction projects like these normally generate several years of revenue flow and complement the shorter duration, smaller projects undertaken by the Branch Division. At the end of 2001, HCD's backlog exceeded \$1 billion.

BIG EVENTS: BUILT ON TRANSPORTATION CAPABILITY

“Let me show you how to do the Hustle.” When he is not selling the highest of high tech communications to his Nextel clients, MATTHEW LUKE’S got his headset on with music in his ears. Crisscrossing the Salt Lake City metropolitan area, Matt adds hundreds of miles to his odometer each week, serving cellular clients. There’s more traffic than there used to be, but also higher capacity roads because the Olympic Games prompted the Utah Department of Transportation to accelerate the improvements of its infrastructure. These improvements are apparent and ease Matt’s daily travel.

Preparing for the 2002 Olympic Games was a massive undertaking for Salt Lake City and the State of Utah. In addition to building a section of the light rail system and many other transportation projects in and around Salt Lake City, Granite, as a part of a joint venture, won the largest single contract ever awarded by the Utah Department of Transportation—the Interstate 15 Corridor Reconstruction Project. This \$1.4 billion contract, of which \$320 million was Granite’s portion, started in late spring in 1997 and was completed in late 2001—in time for the Olympics. Granite was proud to be involved in improving the transportation infrastructure that helped make the Games such a successful event.





What is in your control that you can do something about? That question is at the heart of DEB TURNER'S consulting business, ChoiceWorks. From her home in north Tucson, she heads for the south side almost every day to meet with clients. She knows the streets, the short cuts, how long it should take, when to plan her meetings. Then she gets on her bike to train for El Tour de Tucson—a 100 mile ride for charity that she does each year with friends. With an engineering background, Deb really notices the roads—Mt. Lemmon Highway, for example was narrow, steep, rough and infrequently attempted by cyclists, until Granite transformed it into a safe road for both cars and bicycles. Granite made a real difference.

Tucson is a unique place with a strong sense of community. Citizens work to make enlightened, long-term decisions about their city. Like so many places where Granite works, it is important to understand and become a part of that community—and Granite has. Granite people understand that whether protecting sensitive habitats, upgrading Mt. Lemmon Highway or providing the infrastructure for a new development, people in Tucson will depend on Granite and THE QUALITY OF GRANITE'S work into the future.

