

Granite Construction Incorporated is the parent company of Granite Construction Company, one of the nation's largest heavy-civil contractors and construction materials producers. Incorporated in 1922, Granite serves public- and private-sector clients, and is composed of highly professional construction teams across the nation. Although we have expertise in diverse construction arenas, our Company is best known for transportation infrastructure projects, including roads, highways, tunnels, bridges, mass-transit facilities and airports. We also produce construction aggregates, ready-mix concrete and asphalt concrete, and other construction materials. Granite is skilled at building jobs of all sizes, from small site developments to large billion-dollar projects. The Company expertly handles approximately 2,500 projects annually through our regional offices nationwide.

Headquartered in Watsonville, California, Granite has nearly 2,000 salaried employees across the country. With \$2 billion in 2009 revenues, our Company is a member of the S&P MidCap 400 Index, the FTSE KLD 400 Social Index and the Russell 2000 Index. Granite is listed on the New York Stock Exchange under the ticker symbol GVA. For more information on Granite, please visit our Web site at www.graniteconstruction.com.

Solid Foundation

Our Company has a solid foundation, a resilient business model and a project portfolio that is diverse in terms of client base and geography. We have operational horsepower, with well-tested management teams and seasoned next-generation leadership that is committed to executing every job safely and profitably. We have strategic assets in our construction materials business, a quality backlog of large project work and notable financial strength. More important, we have outstanding people who are dedicated to their work and committed to conducting business ethically, with integrity and character. These collective strengths ensure Granite's solid foundation and will support our growth in the years ahead.



Dedicated People

Granite's greatest assets are our exceptional teams of employees, who honor us every day with their diligence, even in the most challenging of times. Each of our employees is skilled and talented, and together they form a collaborative professional team that is dedicated to promoting our success and delivering superior service to our clients. Our people are seasoned industry professionals who are able to adapt to changing economic environments. Their passion and commitment are evident in everything we do, and Granite's steady performance is a direct result of their commitment to excellence.



Outstanding Values

Granite's enduring success stems from our corporate "core values," which guide us in making all of our decisions. For more than 80 years, these values have helped to define Granite's business philosophy by asserting our commitment to "boldly contend for that which is right and firmly reject that which is wrong." Today, we embrace that same commitment. Granite's professionals steadfastly adhere to our values and our Code of Conduct, exhibiting respect,

honesty, integrity and character in everything they do. As a result, Granite is a truly reliable partner: Our stakeholders can depend on us to say what we'll do, do what we say, and make things right—every time.



Selected Consolidated Financial Data

Years Ended December 31,	2009	2008	2007	2006	2005
(Dollars in Thousands, Except Per Share Data)					
Operating Summary:					
Revenue	\$1,963,479	\$2,674,244	\$2,737,914	\$2,969,604	\$2,641,352
Gross profit	346,373	468,720	410,744	295,720	319,372
As a percent of revenue	17.6%	17.5%	15.0%	10.0%	12.1%
General and administrative expenses	224,910	257,532	246,202	199,481	192,692
As a percent of revenue	11.5%	9.6%	9.0%	6.7%	7.3%
Restructuring charges ¹	9,453	_	_	_	_
Goodwill impairment charge ²	_	_	_	18,011	_
Net income	100,201	165,738	132,924	74,339	100,898
Amount attributable to noncontrolling interests ³	(26,701)	(43,334)	(20,859)	6,170	(17,748)
Net income attributable to Granite	73,500	122,404	112,065	80,509	83,150
As a percent of revenue	3.7%	4.6%	4.1%	2.7%	3.1%
Net income per share attributable to common shareholders ⁴					
Basic	\$ 1.91	\$ 3.19	\$ 2.69	\$ 1.93	\$ 2.00
Diluted	1.90	3.18	2.68	1.92	1.99
Weighted average shares of common stock:					
Basic	37,566	37,606	40,866	40,874	40,614
Diluted	37,683	37,709	40,909	40,920	40,684
Consolidated Balance Sheet:					
Total assets	\$1,709,575	\$1,743,455	\$1,786,418	\$1,632,838	\$1,472,230
Cash, cash equivalents and marketable securities	458,341	520,402	485,348	394,878	301,381
Working capital	500,605	475,942	397,568	319,762	367,801
Current maturities of long-term debt	58,978	39,692	28,696	28,660	26,888
Long-term debt	244,688	250,687	268,417	78,576	124,415
Other long-term liabilities	48,998	43,604	46,441	58,419	46,556
Granite shareholders' equity	830,651	767,509	700,199	694,544	621,560
Book value per share	21.50	20.06	17.75	16.60	14.91
Dividends per share	0.52	0.52	0.43	0.40	0.40
Common shares outstanding	38,635	38,267	39,451	41,834	41,682
Contract backlog	\$1,401,988	\$1,699,396	\$2,084,545	\$2,256,587	\$2,331,540

⁽¹⁾ During 2009, we recorded restructuring charges of approximately \$9.5 million as part of our reorganization.

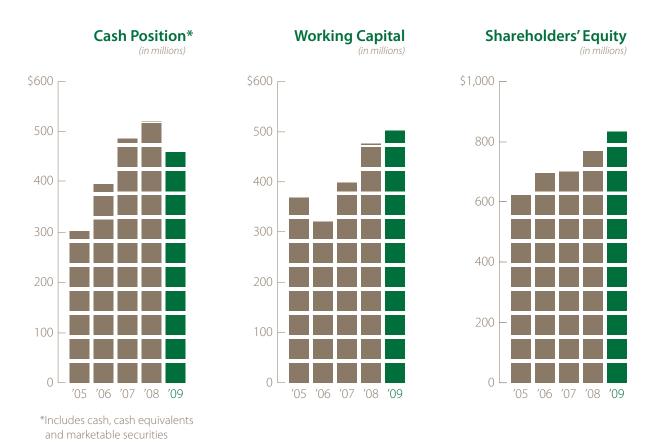
⁽²⁾ In 2006, we recorded a goodwill impairment charge of approximately \$18.0 million related to our New York operation.

⁽³⁾ Effective January 1, 2009, we adopted a new accounting standard requiring net income attributable to both the parent and noncontrolling interests to be disclosed separately, as well as the components of equity attributable to the parent and noncontrolling interests. Prior years have been adjusted to conform to this new standard.

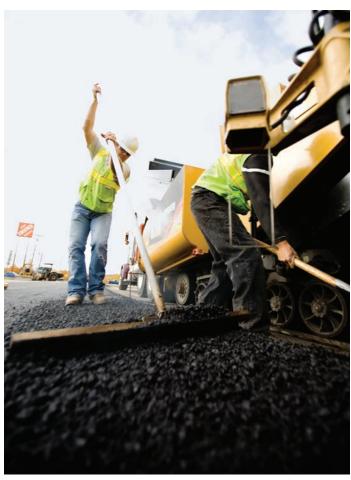
⁽⁴⁾ Computed using the two-class method required by accounting standards adopted January 1, 2009, which requires prior period per share data to be restated retrospectively for comparability.

Strong Financial Platform

Granite's financial platform is strong—and we intend to keep it that way. We're particularly proud of our conservative balance sheet with more than \$458 million in cash, cash equivalents and marketable securities. Our solid financial position distinguishes us among many of our industry peers and provides the flexibility and stability we need to leverage new opportunities. Additionally, we have maintained excellent relationships with our financial partners—banks, sureties and insurance providers—some of whom we have worked with for more than five decades. We expect Granite's prudent financial planning and disciplined cash-management philosophy to sustain the strength of our business in the years to come.



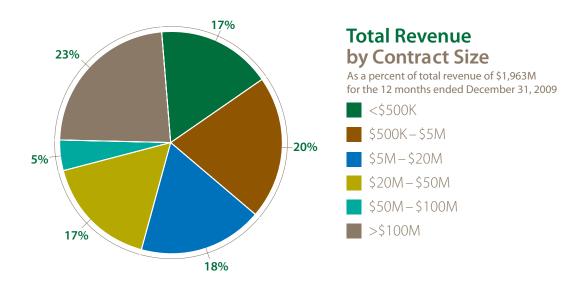


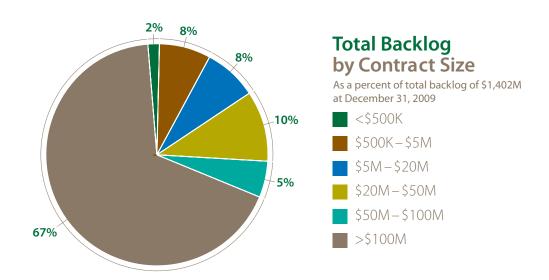




Superior Execution

In today's environment, execution is the name of the game, and Granite's performance is fueled by the outstanding execution of our professional teams throughout the country. Granite is an extremely competent builder of projects across a broad spectrum of work, with the people, equipment, construction materials, experience and financial capacity to complete large and small projects on time and on budget. We marshal these resources to serve the needs of hundreds of different public agencies and private clients from coast to coast, including state departments of transportation, cities, counties, federal agencies and developers.





To Our Stakeholders:

In 2009, challenging market conditions created a very tough business environment for Granite. Two factors on which our Company's success depends—the health of the U.S. economy and the availability of public funding at federal, state and local levels—were both under a great deal of pressure. Many of the states that we consider to be home markets were hard hit by the recession, and the collapse of the private development market released enormous capacity, increasing competition for the public projects on which Granite traditionally bids.



During the year, our Granite teams efficiently executed more than 2,500 diverse projects. In Granite West, revenues and backlog declined, but we were able to maintain satisfactory gross margins, despite the difficult bidding environment. Granite East reported near-record financial performance, executing large projects profitably and continuing to build quality backlog with \$600 million in contract awards, including the Queens Bored Tunnel in New York, the Western Wake Toll Road in North Carolina and the initial phase of the Houston Light Rail System in Texas.

In 2009, we laid important groundwork to support our Company's long-term growth strategy. During the year, we announced a new organizational structure designed to sharpen our competitive edge and improve the efficiency of our operations. We believe that we are now a more collaborative, adaptable and nimble organization—one that can anticipate and respond to changing market conditions and take full advantage of future growth opportunities. Our goal is to emerge from the current downturn as an enterprise that is leaner, more efficient and ready to respond to whatever challenges the future may present.

At the same time, we prepared Granite for next-generation leadership. At the

end of the year, we bid farewell to Chief Operating Officer Mark Boitano, a 32-year Granite veteran. We named Jim Roberts as Mark's successor. Jim has been a Granite team member for 29 years and will provide superb leadership for our Company in the years ahead. We would also like to acknowledge the service that Dave Watts has provided to the Company. Dave served as Granite's Chief Executive Officer for 16 years, and he stepped down as our Board Chairman in August of 2009. We are pleased that he will remain a member of the Board of Directors.

Our time-tested business model and committed professionals will also serve us well in 2010 and beyond. We expect intense competition for public works projects, particularly in the West, where the private development market has stalled and demand for our construction materials has declined significantly. To compete, we are working harder than ever to acquire our traditional transportation-related backlog. We are also exploring ways to apply our core competencies to new market sectors that offer solid growth potential. For example, we are developing expertise in the area of renewable energy, which we believe will offer exciting opportunities

As difficult as the economic environment in 2010 promises to be, we are confident that Granite is well positioned for the long haul. We have operational horsepower, with excellent management and talented teams that are committed to our business and our success.

in the West. Approximately 29 states have renewable portfolio standards and an additional six states have renewable portfolio goals. The standards typically call for renewable energy to comprise 15 to 25 percent of total electricity generation over the next 10 to 15 years, with California having a goal of 33 percent by 2020. We are also targeting more transit and light-rail work, and we are expanding our presence in the federal government sector.

An important long-term driver of our business is the reauthorization of the Federal Highway Bill. Reauthorization of a multi-year bill is important for our industry and for the public agencies that depend on federal transportation funding. The crucial work of maintaining our aging infrastructure and building the

transportation system of the future cries out for increased funding that will support the long-range planning and investment required. The Hiring Incentives to Restore Employment (HIRE) Act will provide short-term stability to the core federal highway program in 2010; however, there is more work that needs to be done to develop a multi-year reauthorization bill with longer-term solutions and dependable sources of revenue.

The American Recovery and Reinvestment Act of 2009 (ARRA) did provide funds to move certain projects forward that would have otherwise not been built, and it did preserve jobs. However, the \$27 billion allocated to highway projects was not enough to overcome the budget challenges faced by many of our public customers.

As difficult as the economic environment in 2010 promises to be, we are confident that Granite is well positioned for the long haul. We have operational horse-power, with excellent management and talented teams that are committed to our business and our success. We have powerful strategic assets in our construction materials business, quality backlog, financial strength, and "best-in-class" people with tremendous capabilities, passion for their work, and a commitment to conducting business with integrity, character and ethics.

While the past year tested our Company, it was also a vital period in Granite's growth and development. By meeting the challenges head-on and preparing for the future, we demonstrated that our Company has what it takes to achieve long-term success. Moreover, by taking

decisive steps to adapt our business to the current climate, Granite is stronger and more able to address today's challenges and pursue new opportunities.

As we move ahead, we thank all of our stakeholders for your support over the past year—our investors for your patience and encouragement, our customers for your loyalty, and our employees for your dedication and commitment to excellence.

William G. Dorey

President and Chief Executive Officer

William H. Powell

Chairman of the Board

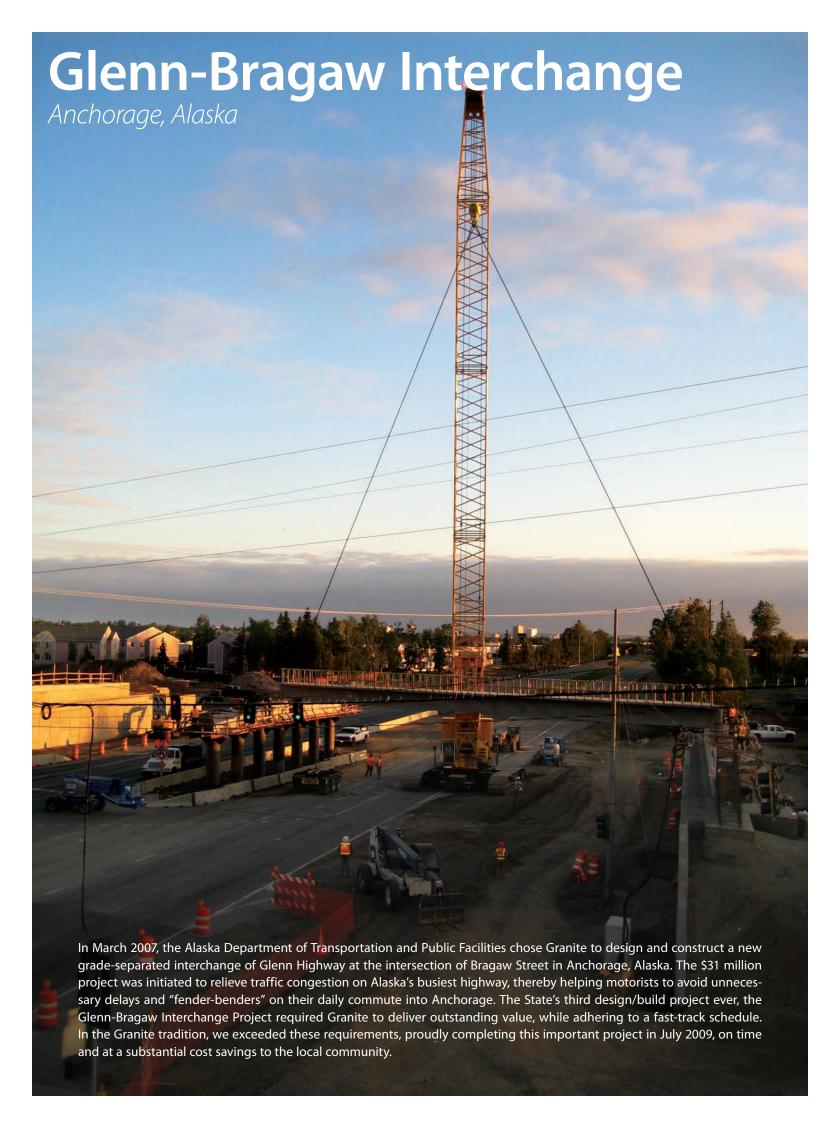




Brighton 5 Stations

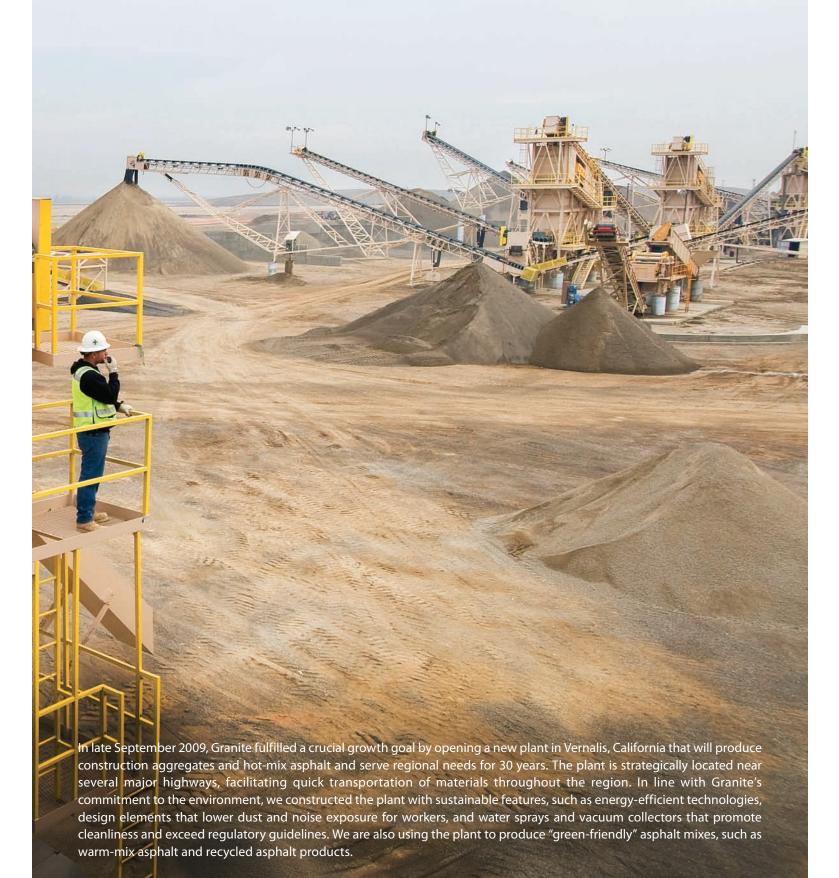
Brooklyn, New York





Vernalis Plant

Tracy, California

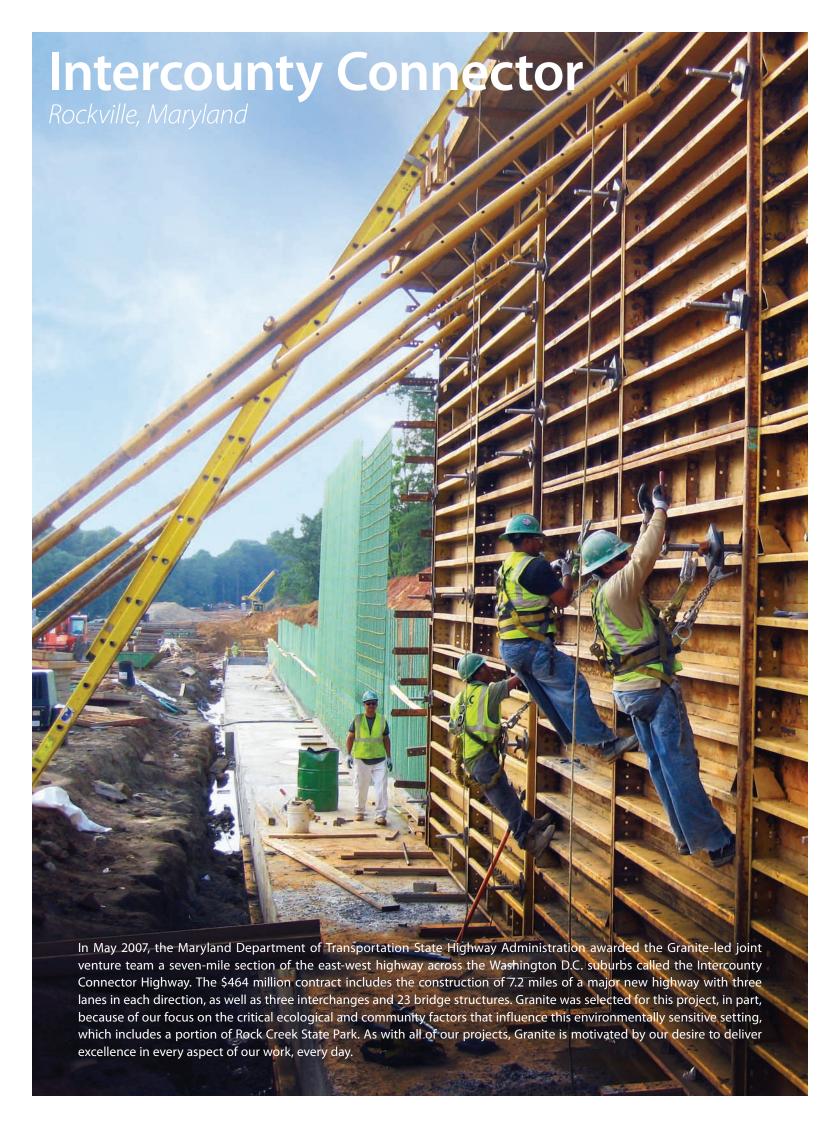


San Jose International Airport

San Jose, California



Granite's role in the \$700 million San Jose International Airport Terminal Area Improvement design/build project has received industry recognition for our success in balancing project, budget and operational needs with customer service requirements. Granite was responsible for construction of the terminal roadway infrastructure that, when it opens in June 2010, will accommodate as many as 17 million travelers annually. We're proud that we completed our portion of the project six months ahead of schedule, once again fulfilling Granite's mission to go above and beyond to deliver complete customer satisfaction in every project.





Granite Creates Value for Stakeholders Through Sustainability Efforts

Granite creates value for our stakeholders, executes a key component of our strategic plan and upholds one of our Company's core values through our commitment to corporate sustainability. This commitment runs deep at Granite, motivating us to emphasize a range of disciplines that have become synonymous with our Company—from the high level of integrity and character of our workforce, to being involved in our communities, to protecting our environment and contributing to the sustainability efforts of our customers.







Granite's dedication to responsible corporate stewardship starts with the cornerstone of our business—namely, our employees, who are continuously guided by Granite's Code of Conduct. As a result of our tireless emphasis on Granite's values, our customers know they can rely on Granite employees to behave ethically and to do the right thing.

The nature of our business places Granite in a position of service to the communities where we live and work.

Our communities depend on us—and trust us—to do what's best not only as a builder, but also as a good corporate citizen, and we work to exceed their expectations in every project we complete. We also encourage our employees to become involved in community-based organizations, and we provide financial assistance to hundreds of non-profit organizations each year, including those supporting humanitarian and educational efforts, the arts and youth sports.



On the Intercounty Connector project in Maryland, box turtles (as seen above), which burrow into dirt and mud, were tagged with tracking devices to find and relocate them prior to excavation at a site. This project takes place in an environmentally sensitive setting where we employ environmental best practices such as redesigning an access road to allow an additional 300 linear feet of stream to remain in place, reducing wetland impact, and preserving trees.

A vital facet of Granite's commitment to corporate sustainability is execution of our environmental strategy. We recognize the way we operate can have an impact on the environment and the communities in which we work. With this in mind, we conduct business in a manner that considers our obligation to preserve our environment for future generations while we build our work and deliver strong business performance. These efforts are guided by Granite's Environmental Leadership Council, which oversees our Company's environmental initiatives.

Our environmental strategy is supported by a select team of environmental professionals throughout our organization who provide training and expertise to our operations. Together, these professionals help Granite implement measures to minimize environmental risk, operate responsibly, conserve resources, recycle and maximize the value of the natural resources we use—all

without sacrificing quality or service. For example, we are constructing a one-megawatt solar power generation system to provide clean energy to power one of our aggregate mining operations. We have lowered fuel consumption, and reduced carbon dioxide and greenhouse gas emissions from our hot-mix asphalt plants by producing warm-mix asphalt concrete, which is produced at lower temperatures than traditional materials. We have also updated many of the vehicles in our equipment fleet with lower emission diesel engines and installed diesel particulate filters on others. In addition, we have implemented comprehensive recycling programs for our construction materials, and we are carefully managing the land that we use so that it can be reclaimed by future generations. Together, these efforts have not only made us more efficient, they have also helped our Company establish a reputation as a corporate leader in environmental stewardship.

Board of Directors and Officers/Investor Information

Board of Directors

William H. Powell

Chairman of the Board Retired Chief Executive Officer, National Starch and Chemical Company

William G. Dorey

President and Chief Executive Officer, Granite Construction Incorporated

Claes G. Bjork

Retired Chief Executive Officer, Skanska AB

James W. Bradford

Dean and Ralph Owen Professor for the Practice of Management, Owen School of Management, Vanderbilt University

Gary M. Cusumano

Retired Chairman, The Newhall Land and Farming Company

David H. Kelsey

Senior Vice President and Chief Financial Officer, Sealed Air Corporation

Rebecca A. McDonald

Chief Executive Officer, Laurus Energy Inc.

J. Fernando Niebla

President,

International Technology Partners L.L.C.

David H. Watts

Retired Chairman, Granite Construction Incorporated

Officers

William G. Dorey

President and Chief Executive Officer

James H. Roberts

Executive Vice President and Chief Operating Officer

LeAnne M. Stewart

Senior Vice President and Chief Financial Officer

Michael F. Donnino

Senior Vice President, Group Manager

Thomas S. Case

Vice President, Group Manager

Jigisha Desai

Vice President, Treasurer, and Assistant Financial Officer

John A. Franich

Vice President, Group Manager

Michael Futch

Vice President, General Counsel, and Secretary

Randy J. Kremer

Vice President, Manager of Construction Materials

Laurel J. Krzeminski

Vice President, Controller, and Assistant Financial Officer

Kent H. Marshall

Vice President, Director of Business Development

Jay L. McQuillen, Jr.

Vice President, Group Manager

Gary L. Roberts

Vice President and Chief Information Officer

Margaret B. Wynn

Vice President of Human Resources

Annual Shareholders' Meeting

Granite's annual meeting of shareholders will be held at 10:30 a.m. on May 7, 2010, at the Embassy Suites, 1441 Canyon Del Rey, Seaside, Calif. Proxy materials are available on our Web site at www.graniteconstruction.com or upon written request to:

Investor Relations

Granite Construction Incorporated Box 50085 Watsonville, CA 95077-5085

Dividend Policy

The Company has declared a quarterly cash dividend of \$0.13 per share of common stock payable on April 15, 2010, to share-holders of record as of March 31, 2010. Declaration and payment of dividends are at 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, financial condition, and other such factors as the Board deems relevant.

Electronic Deposit of Dividends

Registered holders may have their quarterly dividends deposited to their checking or savings account free of charge.
Call Registrar and Transfer Company at (800) 368-5948 to enroll.

Company Contact

Jacqueline B. Fourchy
Director of Investor Relations
and Corporate Communications
(831) 761-4741
Jacque.Fourchy@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 Company's Annual Report on Form 10-K, which is filed with the Securities and Exchange Commission, is available free of charge on our Web site or upon written request to:

Investor Relations

Granite Construction Incorporated Box 50085 Watsonville, CA 95077-5085

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP Three Embarcadero Center San Francisco, CA 94111

Certifications

Granite's Chief Executive Officer (CEO) and Chief Financial Officer have each submitted certifications concerning the accuracy of financial and other information in Granite's Annual Report on Form 10-K, as required by Section 302(a) of the Sarbanes-Oxley Act of 2002.

After our 2010 Annual Meeting of Shareholders, we intend to file with the New York Stock Exchange (NYSE) the CEO certification regarding our compliance with the NYSE's corporate governance listing standards as required by NYSE Rule 303A.12(a). Last year's certification was filed on May 20, 2009.

Office Locations

Corporate Headquarters

585 West Beach Street Watsonville, CA 95076 (831) 724-1011

Alaska

11471 Lang Street Anchorage, AK 99515 (907) 344-2593

Arizona

4115 East Illinois Street Tucson, AZ 85714 (520) 748-8000

California

3005 James Road Bakersfield, CA 93308 (661) 399-3361

2095 Highway 111 El Centro, CA 92243 (760) 337-3030

10500 South Harlan Road French Camp, CA 95231 (209) 982-4750

2716 Granite Court Fresno, CA 93706 (559) 441-5700

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

213 East Avenue M Lancaster, CA 93535 (661) 726-4447

38740 Sky Canyon Drive, Suite C Murrieta, CA 92563 (951) 304-9283

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

8950 Cal Center Drive, Suite 201 Sacramento, CA 95826 (916) 855-8840 715 Comstock Street Santa Clara, CA 95054 (408) 327-7000

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

580 West Beach Street Watsonville, CA 95076 (831) 763-6100

1324 South State Street Ukiah, CA 95482 (707) 467-4100

Florida

6215 East Sligh Avenue Tampa, FL 33617 (813) 623-5877

Nevada

4675 West Teco Avenue, Suite 140 Las Vegas, NV 89118 (702) 696-1090

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

New York

120 White Plains Road, Suite 310 Tarrytown, NY 10591 (914) 606-3600

Oregon

81500 Lind Road Hermiston, OR 97838 (541) 567-2896

Texas

701 East Main Street Lewisville, TX 75057 (972) 874-8724

8802 Ash Avenue Lubbock, TX 79404 (806) 748-9170

Utah

2 South Main Street, Suite 2B Heber City, UT 84032 (435) 654-5201

1000 North Warm Springs Road Salt Lake City, UT 84116 (801) 526-6000

1555 South 1900 West West Haven, UT 84401 (801) 731-3131

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3876 Hannegan Road Bellingham, WA 98226 (360) 676-2450

135 Tidyman Road Dallesport, WA 98617 (509) 767-1103

5665 Nelpar Drive Wenatchee, WA 98802 (509) 884-2443

1525 East Marine View Drive Everett, WA 98201 (425) 551-3100

7131 North Railroad Avenue Pasco, WA 99301 (509) 547-9511

7170 New Market Street SW Tumwater, WA 98501 (360) 352-9205

18208-A Southeast 1st Street Vancouver, WA 98684 (360) 254-0978

80 Pond Road Yakima, WA 98901 (509) 248-8376

Granite Land Company

8950 Cal Center Drive, Suite 201 Sacramento, CA 95826 (916) 855-8840

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