FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

QUARTER ENDED JUNE 30, 1997

Commission File No. 0-18350

GRANITE CONSTRUCTION INCORPORATED

State of Incorporation: Delaware

I.R.S. Employer Identification Number: 77-0239383

Corporate Administration:

585 West Beach Street
Watsonville, California 95076
(408) 724-1011

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 shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of August 8, 1997.

Class	Outstanding
Common Stock, $0.01 par value shares	18,265,725

This report on Form 10-Q, including all exhibits, contains 21 pages. The exhibit index is located on page 20 of this report.

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GRANITE CONSTRUCTION INCORPORATED

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PART I. FINANCIAL INFORMATION

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GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	JUNE 30, 1997	December 31, 1996
	(UNAUDITED)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 32,267	$ 38,663
Short-term investments	11,806	33,567
Accounts receivable	158,934	124,124
Costs and estimated earnings in excess of billings	24,455	29,494
Inventories	14,726	13,493
Deferred income taxes	13,060	13,060
Equity in joint ventures	21,521	5,371
Other current assets	4,945	6,033
Total current assets	281,714	263,805
Property and equipment	196,810	178,515
Other assets	47,488	30,725
	$ 526,012	$ 473,045
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 11,176	$ 10,186
Accounts payable	84,205	64,058
Billings in excess of costs and estimated earnings	48,915	45,352
Accrued expenses and other current liabilities	48,452	51,667
Total current liabilities	192,748	171,263
Long-term debt	70,133	43,602
Deferred income taxes	24,575	24,575
Stockholders' equity		
Preferred stock, $0.01 par value, authorized 3,000,000 shares, none outstanding	--	--
Common stock, $0.01 par value, authorized 27,000,000 shares; 1997- issued and outstanding 18,268,048 shares; 1996- issued 18,166,011 shares, outstanding 18,125,653 shares	184	182
Additional paid-in capital	39,769	36,901
Retained earnings	205,826	201,663
	245,779	238,746
Unearned compensation	(7,223)	(5,141)
	238,556	233,605
	$ 526,012	$ 473,045

The accompanying notes are an integral part of these financial statements

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GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED - IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
Revenue	$ 242,576	$ 248,499	$ 389,397	$ 402,248
Cost of revenue	211,586	219,281	342,557	358,388
GROSS PROFIT	30,990	29,218	46,840	43,860
General and administrative expenses	18,473	16,780	35,116	32,265
OPERATING PROFIT	12,517	12,438	11,724	11,595
Other income (expense)				
Interest income	1,208	1,418	2,688	3,372
Interest expense	(1,762)	(837)	(3,195)	(1,778)
Gain on sales of property and equipment	1,684	1,747	2,304	2,160
Other, net	(460)	(39)	51	(32)
	670	2,289	1,848	3,722
INCOME BEFORE PROVISION FOR INCOME TAXES	13,187	14,727	13,572	15,317
Provision for income taxes	4,880	5,596	5,022	5,820
NET INCOME	$ 8,307	$ 9,131	$ 8,550	$ 9,497
Net income per share	$ 0.46	$ 0.51	$ 0.47	$ 0.53
Weighted average shares of common stock	18,186	18,052	18,264	18,017
Dividends per share	$ 0.06	$ 0.06	$ 0.24	$ 0.25

The accompanying notes are an integral part of these financial statements

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GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED - IN THOUSANDS, EXCEPT PER SHARE DATA)

SIX MONTHS ENDED JUNE 30,	1997	1996
Operating Activities		
Net income	$ 8,550	$ 9,497
Add (deduct) noncash items included in net income:		
Depreciation, depletion and amortization	19,197	18,273
Gain on sales of property and equipment	(2,304)	(2,160)
Decrease in unearned compensation	1,159	984
Cash provided by (used in):		
Accounts and notes receivable	(35,577)	(23,858)
Inventories	(1,233)	(3,110)
Equity in joint ventures	(16,150)	(6,970)
Other assets	1,088	226
Accounts payable	20,147	1,231
Billings in excess of costs and estimated earnings, net	8,871	(3,574)
Accrued expenses	(3,223)	6,129
Net cash provided (used) by operating activities	525	(3,332)
Investing Activities		
Additions to property and equipment	(37,762)	(31,779)
Proceeds from sales of property and equipment	3,032	1,258
Additions to notes receivable	(117)	(114)
Repayments of notes receivable	772	226
Investment in TIC Holdings, Inc.	(12,178)	--
Additions to investments and other assets	(5,200)	(84)
Purchases of short-term investments	(13,521)	(16,871)
Maturities of short-term investments	35,282	47,661
Net cash provided (used) by investing activities	(29,692)	297
Financing Activities		
Additions to long-term debt	32,969	7,000
Repayments of long-term debt	(5,448)	(8,391)
Employee stock options exercised	93	598
Stock purchased and redistributed	(464)	(526)
Dividends paid	(4,379)	(4,392)
Net cash provided (used) by financing activities	22,771	(5,711)
Decrease in cash and cash equivalents	(6,396)	(8,746)
Cash and cash equivalents at beginning of period	38,663	22,410
Cash and cash equivalents at end of period	$ 32,267	$ 13,664
Supplementary Information		
Cash paid during the period for:		
Interest	$ 3,195	$ 1,778
Income taxes	257	346

The accompanying notes are an integral part of these financial statements.

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

1. BASIS OF PRESENTATION: The condensed consolidated financial statements included herein have been prepared by Granite Construction Incorporated (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes the disclosures which are made are adequate to make the information presented not misleading. Further, the condensed consolidated financial statements reflect, in the opinion of management, all normal recurring adjustments necessary to present fairly the financial position at June 30, 1997 and the results of operations and cash flows for the periods presented. The December 31, 1996 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles.

Interim results are subject to significant seasonal variations and the results of operations for the six months ended June 30, 1997 are not necessarily indicative of the results to be expected for the full year.

2. SHORT-TERM INVESTMENTS:

	Held-To-Maturity June 30, 1997 (Unaudited)				Held-To-Maturity December 31, 1996			
	Carrying Value	Unrealized Gains	Unrealized Losses	Fair Value	Carrying Value	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency Obligations	$ --	$--	$ --	$ --	$ 2,993	$ --	$ --	$ 2,993
Commercial Paper	--	--	--	--	3,977	--	--	3,977
Municipal Bonds	2,000	--	--	2,000	6,011	6	--	6,017
Foreign Banker's Acceptances	--	--	--	--	7,420	1	--	7,421
	2,000	--	--	2,000	20,401	7	--	20,408

	Available-For-Sale June 30, 1997 (Unaudited)				Available-For-Sale December 31, 1996			
	Carrying Value	Unrealized Gains	Unrealized Losses	Fair Value	Carrying Value	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency Obligations	5,039	--	--	5,039	9,146	3	(14)	9,135
Municipal Bonds	3,970	12	--	3,982	4,020	23	--	4,043
Foreign Banker's Acceptances	797	--	(1)	796	--	--	--	--
	9,806	12	(1)	9,817	13,166	26	(14)	13,178
Total Short-Term Investments	$11,806	$ 12	$ (1)	$11,817	$33,567	$ 33	$(14)	$33,586

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GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

2. SHORT-TERM INVESTMENTS, CONTINUED:

There were no sales of investments classified as available-for-sale for the six months ended June 30, 1997. At June 30, 1997, scheduled maturities of investments are as follows (unaudited):

	Held-To-Maturity	Available-For-Sale	Total
Within one year	$2,000	$5,767	$ 7,767
After one year through five years	--	4,039	4,039
	$2,000	$9,806	$11,806

For the six months ended June 30, 1997 and 1996, purchases and maturities of short-term investments were as follows:

	Six Months Ended June 30, 1997 (Unaudited)			Six Months Ended June 30, 1996 (Unaudited)		
	Held-To-Maturity	Available For Sale	Total	Held-To-Maturity	Available For Sale	Total
Purchases	$3,098	$10,423	$ 13,521	$ 9,542	$ 7,329	$ 16,871
Maturities	27,535	7,747	35,282	36,300	11,361	47,661
Net change	$(24,437)	$ 2,676	$(21,761)	$ (26,758)	$(4,032)	$ (30,790)

3. ACCOUNTS RECEIVABLE:

	JUNE 30, 1997 (UNAUDITED)	December 31, 1996
Construction contracts		
Completed and in progress	$ 91,417	$ 59,764
Retentions	42,851	47,956
	134,268	107,720
Construction material sales	20,742	12,651
Other	4,621	4,446
	159,631	124,817
Less allowance for doubtful accounts	697	693
	$158,934	$124,124

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4. INVENTORIES: Inventories consist primarily of quarry products valued at the lower of average cost or market.

5. EQUITY IN JOINT VENTURES: The Company participates in various construction joint venture partnerships. Generally, each construction joint venture is formed to accomplish a specific project and is dissolved upon completion of the project. The combined assets, liabilities and net assets of these ventures are as follows:

	JUNE 30, 1997	December 31, 1996
	(UNAUDITED)	
Assets		
Total	$212,339	$96,760
Less other venturers' interest	157,530	69,175
Company's interest	54,809	27,585
Liabilities		
Total	131,577	75,408
Less other venturers' interest	98,289	53,194
Company's interest	33,288	22,214
	$ 21,521	$ 5,371

6. PROPERTY AND EQUIPMENT:

	JUNE 30, 1997	December 31, 1996
	(UNAUDITED)	
Land	$ 15,883	$ 15,328
Quarry property	35,650	34,408
Buildings and leasehold improvements	17,171	12,973
Equipment and vehicles	412,868	388,697
Office furniture and equipment	5,687	5,485
	487,259	456,891
Less accumulated depreciation, depletion and amortization	290,449	278,376
	$196,810	$178,515

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7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

	JUNE 30, 1997	December 31, 1996
	(UNAUDITED)	
Payroll and related employee benefits	$16,172	$21,627
Accrued insurance	17,905	19,997
Income taxes payable	5,022	-
Other	9,353	10,043
	$48,452	$51,667

8. STOCKHOLDERS' EQUITY: Under the terms of the Company's 1990 Omnibus Stock and Incentive Plan, 166,178 shares of restricted common stock were issued, 91,212 shares vested and 9,914 shares were forfeited during the six months ended June 30, 1997. Unearned compensation is amortized over the restriction periods. Compensation expense related to restricted shares was $576 and $492 for the three months ended and was $1,159 and $984 for the six months ended June 30, 1997 and 1996, respectively. During 1997, the Company purchased in satisfaction of certain officer's income tax liabilities related to the maturation of restricted stock issues, 22,019 shares which were redistributed along with the balance of treasury stock as new shares of restricted common stock.

During the six months ended June 30, 1997, employee stock options for 8,150 shares at $11.33 per share were exercised.

9. INCOME TAXES: The provision for income taxes is computed using the anticipated effective tax rate for the year.

10. NET INCOME PER SHARE: Income per share amounts are computed using the weighted average number of common and common equivalent (dilutive stock options) shares outstanding during each period. Common share equivalents are included in the weighted average number of common shares outstanding only when the effect is not antidilutive.

11. CONTINGENCIES: The Company is currently a party to various claims and legal proceedings, none of which is considered by management to be material to the Company's financial position.

12. EQUITY INVESTMENT: On May 1, 1997, the Company purchased 20%, or 154,276 shares of the outstanding stock of TIC Holdings, Inc. ("TIC") for $12,096,781. The acquisition gives the Company a total 30% ownership of TIC. The transaction was financed under the Company's revolving line of credit with interest at 6.275% payable quarterly and principal payable semiannually over five years beginning December 1998. The investment is accounted for using the equity method of accounting from the date of acquiring the additional 20% ownership. Previously, the investment in TIC was recorded at cost.

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13. NEW ACCOUNTING PRINCIPLES: The FASB issued SFAS No. 128 Earnings Per Share in February 1997 effective for periods ending after December 15, 1997. SFAS No. 128 was issued to simplify the computation of Earnings Per Share (EPS) and to make the U.S. standard more compatible with the EPS standards of other countries. Prior period EPS will be restated after the effective date of this statement. The adoption of SFAS No. 128 should have no effect on earnings per share as the Company does not have a complex capital structure.

In June 1997, the FASB issued SFAS No. 130 Reporting Comprehensive Income. SFAS No. 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. To date, the only potential impact of adopting SFAS No. 130, which is effective for the Company in 1998, relates to reporting unrealized holding gains and losses on available-for-sale securities. Such unrealized gains and losses have historically been immaterial and have not affected equity. Therefore, the Company anticipates no material impact from adopting SFAS No. 130.

In June 1997, the FASB issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 requires publicly-held companies to report financial and other information about key revenue-producing segments of the entity for which such information is available and is utilized by the chief operation decision maker. Specific information to be reported for individual segments includes profit or loss, certain revenue and expense items and total assets. A reconciliation of segment financial information to amounts reported in the financial statements would be provided. SFAS No. 131 is effective for the Company in 1998 and the impact of adoption has not been determined.

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" section contains forward-looking statements which are made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties, including, 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; competition and pricing pressures; state referendums and initiatives; and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.

RESULTS OF OPERATIONS

Revenue for the quarter ended June 30, 1997 was $242.6 million, bringing the six month total to $389.4 million, a decrease of $5.9 million, or 2.4%, and $12.8 million, or 3.2%, respectively, over the same periods last year.

[REVENUE BY MARKET SECTOR PIE CHART]

REVENUE BY MARKET SECTOR
SIX MONTHS ENDED JUNE 30,
(IN MILLIONS)

	1997		1996	
	$	%	$	%
Public	264.5	67.9%	287.0	71.4%
Private	73.6	18.9%	73.6	18.3%
Materials	51.3	13.2%	41.6	10.3%
	389.4	100.0%	402.2	100.0%

For the six months ended June 30, 1997, revenue from public sector contracts decreased $22.5 million to $264.5 million, or 67.9% of total revenue, from $287.0 million, or 71.4% of total revenue in 1996. Revenue from private sector contracts of $73.6 million, or 18.9% of total revenue, was unchanged from the six months ended June 30, 1996 level of $73.6 million, or 18.3% of total revenue. Revenue in the Company's primary geographical area, California, decreased to $206.8 million, or 53.1% of total revenue, from $216.6 million, or 53.8% of total revenue, last year.

[AWARDS & BACKLOG GRAPH]

AWARDS AND BACKLOG
END OF PERIOD
(IN MILLIONS)

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	AWARDS	BACKLOG
1993		
Q1	$ 319.6	$ 487.3
Q2	157.4	501.9
Q3	325.2	643.4
Q4	182.7	659.7
1994		
Q1	111.8	664.7
Q2	149.0	640.1
Q3	194.9	594.9
Q4	128.2	550.2
1995		
Q1	199.5	644.4
Q2	302.9	720.6
Q3	143.1	557.2
Q4	289.2	590.1
1996		
Q1	188.0	624.3
Q2	259.9	635.8
Q3	382.5	715.7
Q4	106.2	597.9
1997		
Q1	483.0	934.1
Q2	317.7	1,009.2

Backlog at June 30, 1997 was $1,009.2 million, a $373.4 million increase from June 30, 1996 and a $411.3 million increase from December 31, 1996. New awards for the quarter totaled $317.7 million and include a $27.9 million light rail project in Utah, an $18.8 million interchange reconstruction project in Nevada and a $17.4 million airport project in Sacramento, California. Awards for the quarter do not include a $75.7 million Florida highway contract awarded in August 1997.

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[BACKLOG BY MARKET SECTOR PIE GRAPH]

BACKLOG BY MARKET SECTOR
(IN MILLIONS)

	JUNE 30, 1997		DECEMBER 31, 1996	
	$	%	$	%
Public	946.0	93.7%	526.5	88.1%
Private	63.2	6.3%	71.4	11.9%
	1,009.2	100.0%	597.9	100.0%

The public sector backlog increased to 93.7% of total backlog from 88.1% at December 31, 1996 and 84.4% at June 30, 1996 primarily reflecting the award during the first quarter of 1997 to the Wasatch Constructors Joint Venture, of which the Company has a 23% participation, for the I-15 Corridor Reconstruction Project in Salt Lake City, Utah, which has contributed $305.5 million to the Company's public sector backlog. Work on this contract began during the second quarter of 1997 with 25% completion for profit recognition not anticipated until the latter half of 1998. Private sector backlog decreased $8.2 million from December 31, 1996 and $35.7 million from June 30, 1996.

Gross profit for the quarter ended June 30, 1997 was $31.0 million, or 12.8% of revenue, as compared to $29.2 million, or 11.8% of revenue, for 1996. The six month gross profit increased $2.9 million to $46.8 million, or 12.0% of revenue versus $43.9 million or 10.9% in 1996. The change in gross profit reflects overall strong margins in both operating divisions and the settlement of claims for revenue on work completed in prior years offset by lower gross profits due to the completion of the San Joaquin Hills Toll Road in late 1996 which carried a higher than average gross profit margin and which has yet to be replaced by gross profits on the new major projects in the Company's backlog.

General and administrative expenses for the three months ended June 30, 1997 increased $1.7 million to $18.5 million, or 7.6% of revenue, as compared to 6.8% of revenue for the same quarter of 1996. For the six months, general and administrative expenses increased $2.8 million to $35.1 million and as a percent of revenue to 9.0% versus 8.0% last year. The increases reflect an increased level of business development and estimating activities with new offices in Florida, Maryland and Nevada opening during the quarter and a change in the timing of bad debt collections versus write-offs.

Other income decreased $1.6 million for the quarter and $1.9 million for the six months ended June 30, 1997 primarily reflecting the Company's equity in the interest expense of a partnership that began expensing interest in the fourth quarter of 1996.

Net income for the quarter ended June 30, 1997 was $8.3 million, or $0.46 per share, a decrease of $0.8 million or $0.05 per share from the quarter ended June 30, 1996 net income of $9.1 million, or $0.51 per share. For the six months, net income was $8.6 million, or $0.47 per share, a $0.9 million, or $0.06 per share decrease from the prior year net income of $9.5 million, or $0.53 per share.

[SEASONALITY OF BUSINESS GRAPH]

SEASONALITY OF BUSINESS
REVENUE AND NET INCOME BY QUARTER
(IN MILLIONS)

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	REVENUE	NET INCOME
1993		
Q1	$ 77.5	$ (4.2)
Q2	142.9	--
Q3	183.6	5.8
Q4	166.4	2.9
1994		
Q1	106.7	(2.1)
Q2	173.6	4.6
Q3	204.2	13.6
Q4	172.9	3.3
1995		
Q1	105.3	1.2
Q2	226.7	8.3
Q3	306.6	13.2
Q4	256.2	5.8
1996		
Q1	153.7	0.4
Q2	248.5	9.1
Q3	302.7	15.1
Q4	223.9	2.7
1997		
Q1	146.8	0.2
Q2	242.6	8.3

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OUTLOOK

This "Outlook" section contains forward-looking statements which are made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties, including, 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; competition and pricing pressures; state referendums and initiatives; and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission.

President Clinton and the G.O.P. controlled Congress have completed their budget agreement by appropriating approximately $23 billion for highway spending for the 1998 fiscal year. It was signed into law August 5, 1997. This amount is $3 billion higher than the previous year. Also on a positive note, the 4.3 cents gas tax used for the general fund has been transferred to the Highway Trust Fund. However, that money will not be spent, but will increase the fund surplus and, we believe, put pressure on Congress to appropriate transportation funds at higher levels. As said in previous filings, the balance in the Highway Trust Fund, would continue to grow annually to offset spending in other areas of the budget, thus masking the true size of the federal deficit and allowing for achievement of a balanced budget, at least on paper. In our opinion, the $3 billion increase is a step in the right direction but the federal highway program funding is inadequate to resolve equity issues between donee and donor states as well as address the critical need for repair and replacement of the national highway system, which should be considered a national economic priority.

Looking forward, Representative Schuster, Chairman of the House Transportation and Infrastructure Committee, is planning to introduce into the House a bill to authorize highway spending over the next three years starting at the $23 billion level and escalating to $32 billion in the third year or to an amount that fully utilizes the Highway Trust Fund. If that doesn't work, he will break the proposal down into one year increments. In the Senate, Senator John Warner is planning to introduce a similar transportation bill that would cover a six year period and funded "at an appropriate level."

The state funding picture is also starting to become clearer as the California's legislative leaders and Governor Wilson reached agreement on a $2.54 billion plan to build a new eastern span on the San Francisco-Oakland Bay Bridge and perform seismic upgrades on other state toll bridges. The agreement found a balance by increasing tolls $1 to a total of $2 on five Bay Area bridges for a minimum of eight years and providing $875 million in state transportation funds plus $650 million from a bond measure approved by state voters in March 1996. The good news is that the state transportation funds have not been decimated and will be available to fund these and other needed transportation projects. Granite anticipates bidding some of these retrofit projects in joint venture beginning in the fall.

Although not translated into increased private sector backlog, the strong economy both nationally and in the West which includes California, our largest marketplace, has provided substantial opportunities in the private market sector. We believe part of the success of our Branch Division in the public sector is due to the reduced participation in the public sector bidding process by those mostly smaller contractors that work predominately in the private sector. Additionally, in California, which generated 50% of Granite's second quarter revenue, economists believe that the economy ($1 trillion in value) will continue to achieve Gross State Products in excess of the national average into the next century, supporting our optimism in this important region.

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Bidding activity within both divisions continues to be very strong and the size and scope of some of these projects, particularly for the Heavy Construction Division, are substantial. Granite has been able to translate the bidding opportunities into a record backlog just breaking the $1 billion level. With the prospects available on our bid list, we have the chance to increase backlog significantly and when combined with our "turn" business (work started and completed during the year), it will provide the opportunity for revenue growth and Granite's expected associated profitability.

Based on our success to date in capturing new work, the large number of prospects both public and private, and our geographic diversity throughout the continental U.S., we believe our near-term business has significant opportunities to allow the Company to prosper.

LIQUIDITY AND CAPITAL RESOURCES

(DOLLARS IN THOUSANDS) Six Months Ended June 30,	1997	1996
Cash and cash equivalents, June 30	$ 32,267	$ 13,664
Net cash provided (used) by:		
Operating activities	525	(3,332)
Investing activities	(29,692)	297
Financing activities	22,771	(5,711)
Capital expenditures	37,762	31,779
Working capital	88,966	69,048

Cash provided by operating activities during the six months ended June 30, 1997, of $0.5 million represents a $3.9 million increase from the 1996 amount for the same period. The change relates to an increase in accounts payable, net of the increase to accounts receivable, of $7.2 million, and an increase in cash provided from the performance of contracts of $12.4 million, offset primarily by an increase in the undistributed earnings of construction joint ventures of $9.2 million. Changes in cash provided by operating activities primarily reflect normal seasonal variations in the cash flow on contracts and payables.

Investing activities in 1997 used $30.0 million more cash than during the six months ended June 30, 1996. Purchases of property, plants and equipment increased $6.0 million from 1996. The Company also used cash to purchase a $12.2 million additional investment in TIC Holdings, Inc., bringing the total investment to 30% (see Note 12, Equity Investment, of Notes to the Condensed Consolidated Financial Statements). Other investing activities include a decrease in net maturities of short-term investments of $9.0 million.

Financing activities in 1997 provided $28.5 million of cash in excess of the 1996 activity primarily reflecting an increase of $26.0 million in additions to long-term debt. Debt was used to pay for the $12.2 million investment in TIC Holdings, Inc. and to fund operations.

The Company renegotiated its revolving credit agreement during the quarter ended June 30, 1997. At June 30, 1997, the Company's borrowing capacity under its revolving line of credit is $75 million of which $26.4 million is available. The Company anticipates the cash generated internally and amounts available under its existing credit facilities will be sufficient to meet its operating needs, anticipated capital expenditure plans and other financial commitments at least through 1997.

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PART II. OTHER INFORMATION

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ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's Annual Meeting of Shareholders on May 19, 1997, the following members were elected to the Board of Directors:

	AFFIRMATIVE VOTES	NEGATIVE VOTES	VOTES WITHHELD ABSTAINED	NONVOTE
Richard M. Brooks	13,686,640	--	215,568	4,353,524
Raymond E. Miles	13,686,640	--	215,568	4,353,524

The following proposal was approved at the Company's Annual Meeting:

	AFFIRMATIVE VOTES	NEGATIVE VOTES	VOTES WITHHELD ABSTAINED	NONVOTE
To ratify the appointment of Coopers & Lybrand, L.L.P. as the independent accountants of the Company for the fiscal year ending December 31, 1997	13,686,640	215,568	--	4,353,524

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ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

Exhibit 11 - Computation of Net Income per Common and Common Equivalent Share

b) Reports on Form 8-K

None

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRANITE CONSTRUCTION INCORPORATED

By: /s/ William E. Barton

William E. Barton
Vice President and Chief Financial Officer

Date: August 12, 1997

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	PAGE
11	Computation of Net Income per Common and Common Equivalent Share	21

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EXHIBIT 11

GRANITE CONSTRUCTION INCORPORATED
COMPUTATION OF NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1996	1997	1996
Weighted average common shares outstanding	18,134	17,985	18,210	17,941
Computation of incremental outstanding shares:				
Net effect of dilutive stock options based on treasury stock method	52	67	54	76
Weighted average common shares outstanding, as adjusted	18,186	18,052	18,264	18,017
Net income	$ 8,307	$ 9,131	$ 8,550	$ 9,497
Net income per common and common equivalent share	$ 0.46	$ 0.51	$ 0.47	$ 0.53

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ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONDENSED CONSOLIDATED BALANCE SHEETS, CONDENSED CONSOLIDATED STATEMENTS OF INCOME, AND NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q, JUNE 30, 1997.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	JUN 30 1997
CASH	32,267
SECURITIES	11,806
RECEIVABLES	159,631
ALLOWANCES	697
INVENTORY	14,726
CURRENT ASSETS	281,714
PP&E	487,259
DEPRECIATION	290,449
TOTAL ASSETS	526,012
CURRENT LIABILITIES	192,748
BONDS	70,133
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	184
OTHER SE	238,372
TOTAL LIABILITY AND EQUITY	526,012
SALES	389,397
TOTAL REVENUES	389,397
CGS	342,557
TOTAL COSTS	377,673
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	3,195
INCOME PRETAX	13,572
INCOME TAX	5,022
INCOME CONTINUING	8,550
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	8,550
EPS PRIMARY	0.47
EPS DILUTED	0.47

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