

VULCAN MATERIALS CO  
Form 11-K  
June 28, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## **FORM 11-K**

### **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2003**

**Commission file number: 1-4033**

#### **VULCAN MATERIALS COMPANY CONSTRUCTION MATERIALS DIVISIONS HOURLY EMPLOYEES SAVINGS PLAN**

(full title of the plan)

### **VULCAN MATERIALS COMPANY**

(Name of issuer of the securities held pursuant to the plan)

**1200 Urban Center Drive  
Birmingham, Alabama 35242**

(Address of issuer's principal executive offices and address of the plan)

Vulcan Materials Company  
Construction Materials Divisions Hourly Employees Savings Plan  
Financial Statements as of and for the  
Years Ended December 31, 2003 and 2002,  
Supplemental Schedule as of  
December 31, 2003, and  
Report of Independent Registered Public Accounting Firm

### **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Administrative Committee  
Vulcan Materials Company  
Construction Materials Divisions Hourly Employees Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Vulcan Materials Company Construction Materials Divisions Hourly Employees Savings Plan (the "Plan") as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003 and 2002, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2003, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. Such supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic 2003 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Birmingham, Alabama  
June 25, 2004

**VULCAN MATERIALS COMPANY  
CONSTRUCTION MATERIALS DIVISIONS HOURLY EMPLOYEES SAVINGS PLAN**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2003 AND 2002**

ASSETS	2003	2002
INTEREST IN MASTER TRUST:		
Investments	\$59,589,699	\$48,319,323
Participant loans	<u>4,089,543</u>	<u>3,567,951</u>
Total interest in Master Trust	63,679,242	51,887,274
RECEIVABLE FROM VULCAN MATERIALS COMPANY:		
Employee contributions	<u>102,324</u>	<u>28,675</u>
NET ASSETS AVAILABLE FOR BENEFITS	\$63,781,566	\$51,915,949

See notes to financial statements.

<PAGE 2>

**VULCAN MATERIALS COMPANY  
CONSTRUCTION MATERIALS DIVISIONS HOURLY EMPLOYEES SAVINGS PLAN**

**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

ADDITIONS (DEDUCTIONS) TO NET ASSETS ATTRIBUTED TO:	2003	2002
Investment income (loss) from interest in Master Trust		
	<u>\$9,281,856</u>	
Contributions:		<u>\$(4,009,148)</u>
Participants		
Vulcan Materials Company	6,460,967	
Total contributions	<u>1,976,768</u>	6,334,722
	<u>8,437,735</u>	<u>1,779,883</u>
Loan repayments from participants		<u>8,114,605</u>
	<u>5,891,509</u>	
Transfer of participants' investment account between other Vulcan Materials Company plans (Note 1)		<u>2,224,352</u>
	<u>(344,490)</u>	
TOTAL		<u>237,252</u>
	<u>23,266,610</u>	<u>6,567,061</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Withdrawals by participants	5,052,286	4,446,739
Loans to participants	<u>6,348,707</u>	<u>2,410,609</u>
TOTAL	<u>11,400,993</u>	<u>6,857,348</u>
NET INCREASE (DECREASE)	11,865,617	(290,287)
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	<u>51,915,949</u>	<u>52,206,236</u>
End of year	<u>\$63,781,566</u>	<u>\$51,915,949</u>

See notes to financial statements.

<PAGE 3>

**VULCAN MATERIALS COMPANY  
CONSTRUCTION MATERIALS DIVISIONS HOURLY EMPLOYEES SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

1. DESCRIPTION OF THE PLAN

General

-The Vulcan Materials Company Construction Materials Divisions Hourly Employees Savings Plan (the "Plan"), a defined contribution employee benefit plan established effective October 1, 1983 and most recently restated effective October 1, 2002, provides for additional investment options and daily valuation of individual account balances. The purpose of the Plan is to provide for accumulation of savings for qualifying nonunion hourly employees of Vulcan Materials Company's (the "Company") southeast, mideast, midsouth, southwest, western, southern, and midwest divisions and its wholly owned subsidiaries, Vulcan Gulf Coast Materials and RECO Transportation, LLC (collectively, the "Participating Companies").

Effective October 1, 2002, the Company amended and restated the Plan. In connection with the amended and restated Plan, the Company designated a portion of the Plan consisting of the Vulcan Materials Company common stock fund as an employee stock ownership plan ("ESOP"). The Vulcan ESOP fund allows a participant to elect to have the dividends paid on Vulcan Materials Company common stock reinvested in the Company's common stock or paid to the participant in cash.

A participant may transfer between the Company's divisions. In these instances, the net assets of the participant's account will be transferred between the other defined contribution employee benefit plans that participate in the Vulcan Materials Company Retirement Savings Trust (the "Master Trust").

**Participation and Vesting**-Generally, hourly employees qualify to participate on the first of the month following completion of two months of employment service. Participants are fully vested at all times.

**Contributions**-The Plan is funded through contributions by participants and the Participating Companies. The Plan provides for two types of employee contributions to the Plan: pay conversion contributions (pretax) and after-tax contributions. An employee may designate multiples of 1%, ranging from 1% to 35%, of earnings as either pay conversion contributions, after-tax contributions, or any combination of the two. Pay conversion contributions, which are subject to annual increases pursuant to federal regulations, are limited to a maximum dollar amount of \$12,000. Certain additional limits may be imposed on the amount of contributions by or on behalf of certain higher-paid employees. For participants over the age of 50, additional catch-up contributions may be made in the amount of \$2,000 and \$1,000 for the years ended 2003 and 2002, respectively.

The Participating Companies expect to make matching contributions out of current and accumulated earnings and profits to match that portion of an employee's contribution (whether pretax, after-tax, or both) amounting up to 4% of the employee's earnings. Matching contributions by Participating Companies are determined by their boards of directors and normally range from 50% to 75% depending on a participant's completed years of matching service.

<PAGE 4>

Investment Options

-Participants' contributions are invested in the 13 separate investment funds of the Plan in proportions elected by the participant. The Participating Companies' matching contributions are invested in the

fund which invests primarily in the Company's common stock and are nonparticipant-directed. See Note 4 for further information on nonparticipant-directed contributions.

***Allocations and Determination of Accounts***-Separate accounts are maintained for each participant for matched, unmatched, and Participating Companies' contributions and accumulated earnings on each. Additionally, subaccounts are maintained for matched and unmatched accounts for the portion of each account that is attributable to pretax contributions and the portion attributable to after-tax contributions. Monthly net earnings are allocated to each participant's account in the ratio of the participant's account balance to total participants' account balances.

***Distributions and Withdrawals***-A participant's total account is distributed upon retirement, disability, death or termination of employment unless the account value is greater than \$5,000, in which case the participant may defer until age 70 1/2. As of December 31, 2003 and 2002, benefits of \$3,613,282 and \$3,068,646, respectively, were due to individuals who were separated from the Plan. Prior to a termination of employment, participants may make partial withdrawals or may withdraw their total account, except that if a participant has not maintained a participant contribution account for the 60 months immediately preceding the voluntary withdrawal, no Company contributions which have been on deposit less than 24 months will be distributed until 24 months after the earlier of the employee's withdrawal date or the employee's termination of employment. In addition, any in-service distribution from a participant's pretax contributions must meet the requirements of a "hardship withdrawal," as set forth in the Plan document.

***Participant Loans***-Participants may apply for up to one loan at any time. The amount of the loan cannot exceed the lesser of 50% of the participant's total account or \$50,000. If a loan is made, the participant shall execute a note payable to the trustee in the amount of the loan and bearing interest at the Prime interest rate plus 1%. The average rate of interest on loans approximated 6.1% and 8% as of December 31, 2003 and 2002, respectively. A loan is considered an investment of the Plan. The participant's investment accounts will be reduced by the amount of the loan. Any repayment made will be allocated to the participant's investment accounts in accordance with his or her current investment direction. Loans must be repaid in on a per pay period basis through payroll deductions and must be repaid within 60 months.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### General

-The financial statements of the Plan have been prepared on the accrual basis of accounting. All assets of the Plan are held by the Northern Trust Company of Chicago, Illinois (the "Trustee"). The Company pays the administrative costs of the Plan, including the Trustee's fees and charges. Hewitt Associates LLC (the "Recordkeeper") is the recordkeeper for the Plan.

The Plan's investment in the Master Trust represents its proportionate interest. The Plan's investment in the Master Trust is presented at estimated fair value, which has been determined based on the underlying fair values of the assets of the Master Trust.

***Valuation of Investments and Income Recognition***-Investments, other than guaranteed investment contracts, are reported at fair value. Investments in securities traded on national and over-the-counter exchanges are valued at the closing bid price of the security as of the last day of the year. Guaranteed investment contracts are valued at contract value, which represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses, because they

<PAGE 5>

are fully benefit-responsive. There are no reserves against contract value for credit risks of the contract issuer or otherwise. The average yield and crediting interest rates were approximately 4.25% and 5.50% for 2003 and 2002, respectively.

Loans to participants are valued at cost plus accrued interest which approximates fair value. The average cost of securities sold or distributed is used to determine net investment gains or losses realized. Security transactions are recorded on the settlement date, which approximates the trade date. Distributions of common stock, if any, to participants are recorded at the market value of such stock at the time of distribution. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment manager fees are netted against Plan investment income. Expenses incurred in connection with the transfer of securities, such as brokerage commissions and transfer taxes, are added to the cost of such securities or deducted from the proceeds thereof.

***Valuation of Investments (Insurance Contract) of Master Trust***-Guaranteed investment contracts are valued at contract value (which represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses), because they are fully benefit-responsive.

***Use of Estimates***-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein. Actual results could differ from those estimates. The Master Trust invests in various securities including U.S. government securities, corporate debt instruments, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

***Reclassifications***-Certain prior year items have been reclassified to conform with the current year presentation.

### 3. INVESTMENT IN MASTER TRUST

The Plan's investment assets are held in a trust account by the Northern Trust Company of Chicago, Illinois, the Plan's Trustee. Use of the Master Trust permits the commingling of investment assets of a number of employee benefit plans of the Participating Companies. Although assets of the plans are commingled in the Master Trust, the Recordkeeper maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income or loss of the investment assets and administrative expenses are allocated by the Recordkeeper to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans.

<PAGE 6>

The net assets of the Master Trust at December 31, 2003 and 2002 are summarized as follows:

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	2003	2002
Commingled fund holding principally short-term fixed income investments		
Guaranteed investment contracts	\$98,437,655	\$82,261,237
Fund holding principally venture capital and partnership investments	87,219,810	73,659,748
International equity investments	26,096,654	25,860,144
Domestic equity investments	107,658,874	84,282,775
U.S. government securities	113,041,238	76,695,674
Commingled funds holding principally common stock	66,993,828	61,457,771
Commingled funds holding principally international equity instruments	85,040,720	58,050,365
Vulcan Materials Company common stock*	36,955,890	27,975,225
Corporate debt investments	269,938,820	218,074,431
Other equities	63,808,801	56,567,037
Net assets	<u>18,923,268</u>	<u>23,097,851</u>
	\$974,115,558	\$787,982,258
Percentage of Plan's investments in the Master Trust's investments	6.1%	6.1%

\*Consists of both participant-directed and nonparticipant-directed contributions.

The total investment income (loss) of the Master Trust at December 31, 2003 and 2002 is summarized as follows:

	2003	2002
Interest-net		
Dividends	\$12,136,202	\$12,045,779
Other	6,245,087	6,319,623
Net investment gains (losses):	127,297	260,289
Realized		
Unrealized	30,463,685	(2,008,576)
Total	<u>143,253,303</u>	<u>(148,282,806)</u>
	\$192,225,574	\$(131,665,691)

<PAGE 7>

#### 4. NONPARTICIPANT-DIRECTED INVESTMENTS

Information about the net assets and the significant components of the changes in net assets relating to Vulcan Materials Company common stock, which includes both participant- and nonparticipant-directed investments as of and for the years ended December 31, 2003 and 2002 is as follows:

	2003	2002
Net assets-beginning of year		
Changes in net assets:	<u>\$218,074,431</u>	<u>\$287,361,951</u>
Investment income (loss)		
Employer's contributions	62,387,372	(53,830,879)
Participants' contributions	8,150,074	2,379,650
Loan repayments from participants	7,850,162	3,018,447
Benefits paid to participants	4,099,908	1,208,789
Distribution of loans to participants	(13,140,714)	(15,353,726)
Transfers to participant-directed investments-net	(4,578,083)	(1,619,711)
Net change	<u>(12,904,330)</u>	<u>(5,090,090)</u>
Net assets-end of year	<u>\$269,938,820</u>	<u>\$218,074,431</u>

5. PLAN TERMINATION

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA.

6. TAX STATUS

The Internal Revenue Service has determined and informed the Company by a letter dated January 10, 2003 that the Plan and related trust were designed in accordance with the applicable regulations of the Internal Revenue Code. The Company and plan administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code and that the Plan and the related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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<PAGE 8>

**SUPPLEMENTAL SCHEDULE**

**(See Report of Independent Registered Public Accounting Firm)**

<PAGE 9>

**VULCAN MATERIALS COMPANY**

**CONSTRUCTION MATERIALS DIVISIONS HOURLY EMPLOYEES SAVINGS PLAN**

**FORM 5500, SCHEDULE H, PART IV, LINE 4i-SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
DECEMBER 31, 2003**

(a) (b) Identity of Issuer, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value	(d) Cost	(e) Current Value
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\*Various Plan participants



Participant loans at interest rates of 5%  
to \*\* \$4,089,543  
10.5% maturing in 1 to 48 months

\*Party-in-interest.

\*\*Cost information is not required for participant-directed investments and, therefore, is not included.

<PAGE 10>

#### SIGNATURES

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee (or other person who administers the employee benefit plan) has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

VULCAN MATERIALS COMPANY  
CONSTRUCTION MATERIALS DIVISIONS  
HOURLY EMPLOYEES SAVINGS PLAN

by: /s/ Charles D. Lockhart  
Charles D. Lockhart  
Chairman of the Administrative Committee

Date: June 25, 2004

<PAGE 11>