

Northbridge Materials Corporation - Form 10-Q

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2018

OR

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

For the transition period from to

Commission File Number 1-12744

MARTIN MARIETTA MATERIALS, INC.

(Exact name of registrant as specified in its charter)

North Carolina

56-1848578

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer

Identification Number)

2710 Wycliff Road, Raleigh, NC

27607-3033

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 919-781-4550

Former name: None

Former name, former address and former fiscal year, if changes since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class

Outstanding as of May 2, 2018

Common Stock, \$0.01 par value

62,951,453

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

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PA RT I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

(UNAUDITED) CONSOLIDATED BALANCE SHEETS

March 31,

December 31,

March 31,

2018

2017

2017

(Dollars in Thousands)

ASSETS

Current Assets:

Cash and cash equivalents

\$

1,422,373

\$

1,446,364

\$

55,418

Accounts receivable, net

466,465

487,240

479,215

Inventories, net

606,794

600,591

537,000

Other current assets

106,298

96,965

51,609

Total Current Assets

2,601,930

2,631,160

1,123,242

Property, plant and equipment

6,523,364

6,498,067

6,211,813

Allowances for depreciation, depletion and amortization

(2,940,870

)

(2,905,254

)

(2,744,168

)

Net property, plant and equipment

3,582,494

3,592,813

3,467,645

Goodwill

2,160,290

2,160,290

2,159,398

Operating permits, net

437,438

439,116

440,411

Other intangibles, net

61,338

67,233

67,318

Other noncurrent assets

104,560

101,899

135,777

Total Assets

\$

8,948,050

\$

8,992,511

\$

7,393,791

LIABILITIES AND EQUITY

Current Liabilities:

Accounts payable

\$

162,328

\$

183,638

\$

188,399

Accrued salaries, benefits and payroll taxes

23,329

44,255

22,760

Pension and postretirement benefits

12,812

13,652

8,136

Accrued insurance and other taxes

52,413

64,958

49,535

Current maturities of long-term debt and short-term

facilities

300,006

299,909

290,048

Accrued interest

39,720

19,825

23,649

Other current liabilities

60,371

67,979
49,031
Total Current Liabilities
650,979
694,216
631,558
Long-term debt
2,728,102
2,727,294
1,556,246
Pension, postretirement and postemployment benefits
248,501
244,043
252,568
Deferred income taxes, net
413,570
410,723
667,160
Other noncurrent liabilities
227,068
233,758
210,305
Total Liabilities
4,268,220
4,310,034
3,317,837
Equity:
Common stock, par value \$0.01 per share
628
628
626
Preferred stock, par value \$0.01 per share
-
-
-
Additional paid-in capital
3,381,280
3,368,007
3,349,813
Accumulated other comprehensive loss
(127,485

)	
(129,104	
)	
(128,425	
)	
Retained earnings	
1,422,207	
1,440,069	
851,354	
Total Shareholders' Equity	
4,676,630	
4,679,600	
4,073,368	
Noncontrolling interests	
3,200	
2,877	
2,586	
Total Equity	
4,679,830	
4,682,477	
4,075,954	
Total Liabilities and Equity	
\$	
8,948,050	
\$	
8,992,511	
\$	
7,393,791	

See accompanying notes to the consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS
Three-Months Ended
March 31,
2018
2017

(In Thousands, Except Per Share Data)

Products and services revenues	
\$	
753,305	
\$	

792,316
Freight revenues
48,699
51,543
Total Revenues
802,004
843,859
Cost of revenues - products and services
641,620
644,617
Cost of revenues - freight
49,992
52,175
Total Cost of Revenues
691,612
696,792
Gross Profit
110,392
147,067
Selling, general & administrative expenses
70,121
69,535
Acquisition-related expenses
711
22
Other operating expense, net
479
360
Earnings from Operations
39,081
77,150
Interest expense
35,087
20,851
Other nonoperating income, net
(8,503
)
(536
)
Earnings before income tax expense
12,497

56,835	
Income tax expense	
2,457	
14,528	
Consolidated net earnings	
10,040	
42,307	
Less: Net earnings (loss) attributable to noncontrolling interests	
17	
(27	
)	
Net Earnings Attributable to Martin Marietta Materials, Inc.	
\$	
10,023	
\$	
42,334	
Consolidated Comprehensive Earnings: (See Note 1)	
Earnings attributable to Martin Marietta Materials, Inc.	
\$	
11,642	
\$	
44,596	
Earnings (Loss) attributable to noncontrolling interests	
17	
(26	
)	
\$	
11,659	
\$	
44,570	
Net Earnings Attributable to Martin Marietta Materials, Inc.	
Per Common Share:	
Basic attributable to common shareholders	
\$	
0.16	
\$	
0.67	
Diluted attributable to common shareholders	
\$	
0.16	

\$

0.67

Weighted-Average Common Shares Outstanding:

Basic

62,957

63,024

Diluted

63,222

63,319

Cash Dividends Per Common Share

\$

0.44

\$

0.42

See accompanying notes to the consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

(UNAUDITED) CONSOLIDATED STATEMENTS OF CASH FLOWS

March 31,

2018

2017

(Dollars in Thousands)

Cash Flows from Operating Activities:

Consolidated net earnings

\$

10,040

\$

42,307

Adjustments to reconcile consolidated net earnings to net cash

provided by operating activities:

Depreciation, depletion and amortization

76,821

70,376

Stock-based compensation expense

9,760

10,275

(Gain) Loss on divestitures and sales of assets

(951

)

73

Deferred income taxes

2,029
 2,827
 Other items, net
 (2,269
)
 (179
)
 Changes in operating assets and liabilities, net of effects of acquisitions
 and divestitures:
 Accounts receivable, net
 20,951
 (21,305
)
 Inventories, net
 (8,873
)
 (15,375
)
 Accounts payable
 7,925
 8,536
 Other assets and liabilities, net
 (10,421
)
 (23,670
)
 Net Cash Provided by Operating Activities
 105,012
 73,865
 Cash Flows from Investing Activities:
 Additions to property, plant and equipment
 (96,259
)
 (102,095
)
 Proceeds from divestitures and sales of assets
 2,528
 539
 Payment of railcar construction advances
 (8,430
)

(37,011
)
 Reimbursement of railcar construction advances
 8,430
 37,011
 Investments in life insurance contracts, net
 99
 181
 Net Cash Used for Investing Activities
 (93,632
)
 (101,375
)
 Cash Flows from Financing Activities:
 Borrowings of debt
 -
 205,000
 Repayments of debt
 (13
)
 (45,012
)
 Payments on capital lease obligations
 (829
)
 (761
)
 Debt issuance costs
 (3,194
)
 -
 Contributions by owners of noncontrolling interest
 129
 -
 Dividends paid
 (27,885
)
 (26,560
)
 Proceeds from exercise of stock options
 2,801

3,917
 Shares withheld for employees' income tax obligations
 (6,380
)
 (3,695
)
 Repurchases of common stock
 -
 (99,999
)
 Net Cash (Used for) Provided by Financing Activities
 (35,371
)
 32,890
 Net (Decrease) Increase in Cash and Cash Equivalents
 (23,991
)
 5,380
 Cash and Cash Equivalents, beginning of period
 1,446,364
 50,038
 Cash and Cash Equivalents, end of period
 \$
 1,422,373
 \$
 55,418

See accompanying notes to the consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
 (UNAUDITED) CONSOLIDATED STATEMENT OF TOTAL EQUITY
 (in thousands)

Shares of Common Stock

Common Stock

Additional Paid-in Capital

Accumulated Other Comprehensive Loss

Retained Earnings

Total Shareholders' Equity

Noncontrolling Interests

Total Equity

Balance at December 31, 2016

63,176

\$
 630
 \$
 3,334,461
 \$
 (130,687
)
 \$
 935,574
 \$
 4,139,978
 \$
 2,612
 \$
 4,142,590
 Consolidated net earnings
 -
 -
 -
 -
 42,334
 42,334
 (27
)
 42,307
 Other comprehensive earnings,
 net of tax
 -
 -
 -
 2,262
 -
 2,262
 1
 2,263
 Dividends declared
 -
 -
 -
 -
 (26,560

)
(26,560
)
-
(26,560
)
Issuances of common stock for stock
award plans
60
1
5,077
-
-
5,078
-
5,078
Repurchases of common stock
(458
)
(5
)
-
-
(99,994
)
(99,999
)
-
(99,999
)
Stock-based compensation expense
-
-
10,275
-
-
10,275
-
10,275
Balance at March 31, 2017
62,778

\$
626
\$
3,349,813
\$
(128,425
)
\$
851,354
\$
4,073,368
\$
2,586
\$
4,075,954
Balance at December 31, 2017
62,873
\$
628
\$
3,368,007
\$
(129,104
)
\$
1,440,069
\$
4,679,600
\$
2,877
\$
4,682,477
Consolidated net earnings
-
-
-
-
10,023
10,023
17
10,040

Other comprehensive earnings,
net of tax

-

-

-

1,619

-

1,619

-

1,619

Dividends declared

-

-

-

-

(27,885

)

(27,885

)

-

(27,885

)

Issuances of common stock for stock
award plans

75

-

9,893

-

-

9,893

-

9,893

Shares withheld for employees' income
tax obligations

-

-

(6,380

)

-

-

(6,380

)

-

(6,380

)

Stock-based compensation expense

-

-

9,760

-

-

9,760

-

9,760

Contributions from owners of
noncontrolling interest

-

-

-

-

-

-

306

306

Balance at March 31, 2018

62,948

\$

628

\$

3,381,280

\$

(127,485

)

\$

1,422,207

\$

4,676,630

\$

3,200

\$

4,679,830

See accompanying notes to the consolidated financial statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1.

Significant Accounting Policies

Organization

Martin Marietta Materials, Inc. (the Company or Martin Marietta) is a natural resource-based building materials company. The Company supplies aggregates (crushed stone, sand and gravel) through its network of 282 quarries, mines and distribution yards to its customers in 30 states, Canada, the Bahamas and the Caribbean Islands. In the western United States, Martin Marietta also provides cement and downstream products, namely, ready mixed concrete, asphalt and paving services, in vertically-integrated structured markets where the Company has a leading aggregates position. The Company's heavy-side building materials are used in infrastructure, nonresidential and residential construction projects. Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast. The aggregates, cement, ready mixed concrete and asphalt and paving product lines are reported collectively as the "Building Materials" business.

The Company's Building Materials business includes three reportable segments: the Mid-America Group, the Southeast Group and the West Group.

BUILDING MATERIALS BUSINESS

Reportable Segments

Mid-America Group

Southeast Group

West Group

Operating Locations

Indiana, Iowa,

northern Kansas, Kentucky, Maryland, Minnesota, Missouri,

eastern Nebraska, North Carolina, Ohio,

South Carolina,

Virginia, Washington and

West Virginia

Alabama, Florida, Georgia, Tennessee,

Nova Scotia and the Bahamas

Arkansas, Colorado, southern Kansas,

Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah

and Wyoming

Product Lines

Aggregates

Aggregates

Aggregates, Cement, Ready Mixed Concrete, Asphalt and Paving

The Company has a Magnesia Specialties business with manufacturing facilities in Manistee, Michigan, and Woodville, Ohio. The Magnesia Specialties business produces magnesia-based chemicals products used in industrial, agricultural and environmental applications, and dolomitic lime sold primarily to customers in the steel and mining industries.

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1.

Significant Accounting Policies (continued)

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information and with the instructions to the Quarterly Report on Form 10-Q and in Article 10 of Regulation S-X. Other than the required adoption of two new accounting pronouncements described below, the Company has continued to follow the accounting policies set forth in the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. In the opinion of management, the interim consolidated financial information provided herein reflects all adjustments, consisting of normal recurring accruals, necessary for a fair statement of the results of operations, financial position and cash flows for the interim periods. The consolidated results of operations for the three-months ended March 31, 2018 are not indicative of the results expected for other interim periods or the full year. The consolidated balance sheet at December 31, 2017 has been derived from the audited consolidated financial statements at that date but does not include all of the information and notes required by GAAP for complete financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

New Accounting Pronouncements

Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which changes the evaluation and accounting for revenue recognition under contracts with customers and enhances financial statement disclosures. The Company implemented ASU 2014-09 using the modified retrospective approach. The adoption resulted in insignificant changes to the Company's policies in reporting revenues and had an immaterial impact on the Company's financial position and results of operations but required new disclosures (see Note 2).

Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments

Effective January 1, 2018, the Company adopted ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15), which provides clarification or additional guidance on certain transactions and its classification on the statement of cash flows on a retrospective basis. Notably, ASU 2016-15 states settlement proceeds from corporate-owned life insurance policies should be classified as investing activities and premiums paid may be presented as either investing or operating activities or a combination of both. At March 31, 2017, the Company reclassified \$181,000 from operating activities to investing activities.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1.

Significant Accounting Policies (continued)

Pending Accounting Pronouncement

Lease Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standard, Accounting

Codification Standard 842 - Leases, intending to improve financial reporting of leases and to provide more transparency into off-balance sheet leasing obligations. The guidance requires virtually all leases, excluding mineral interest leases, to be recorded on the balance sheet and provides guidance on the recognition of lease expense and income. The new standard is effective January 1, 2019. The FASB recently proposed to eliminate the need for retrospective presentation of comparative financial statements and to allow the use of certain practical expedients in the adoption of the new standard. The Company is currently assessing the impact of the new standard on the Company's financial statements. The Company believes the new standard will have a material effect on its balance sheet but has not quantified the impact at this time.

Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss

Consolidated comprehensive earnings/loss and accumulated other comprehensive loss consist of consolidated net earnings or loss; adjustments for the funded status of pension and postretirement benefit plans; foreign currency translation adjustments; and the amortization of the value of terminated forward starting interest rate swap agreements into interest expense, and are presented in the Company's consolidated statements of earnings and comprehensive earnings.

Comprehensive earnings attributable to Martin Marietta is as follows:

Three-Months Ended

March 31,

2018

2017

(Dollars in Thousands)

Net earnings attributable to Martin Marietta Materials, Inc.

\$

10,023

\$

42,334

Other comprehensive earnings, net of tax

1,619

2,262

Comprehensive earnings attributable to Martin Marietta

Materials, Inc.

\$

11,642

\$

44,596

Comprehensive earnings attributable to noncontrolling interests, consisting of net earnings and adjustments for the funded status of pension and postretirement benefit plans, is as follows:

Three-Months Ended

March 31,

2018

2017

(Dollars in Thousands)

Net earnings (loss) attributable to noncontrolling interests

\$

17

\$

(27)

)
Other comprehensive earnings, net of tax

-

1

Comprehensive earnings (loss) attributable to
noncontrolling interests

\$

17

\$

(26

)

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1.

Significant Accounting Policies (continued)

Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)

Changes in accumulated other comprehensive earnings (loss), net of tax, are as follows:

(Dollars in Thousands)

Unamortized

Value of

Terminated

Accumulated

Pension and

Forward Starting

Other

Postretirement

Foreign

Interest Rate

Comprehensive

Benefit Plans

Currency

Swap

Loss

Three-Months Ended March 31, 2018

Balance at beginning of period

\$

(128,802

)
 \$
 (22
)
 \$
 (280
)
 \$
 (129,104
)
 Other comprehensive loss before
 reclassifications, net of tax
 -
 (587
)
 -
 (587
)
 Amounts reclassified from accumulated
 other comprehensive earnings, net of tax
 1,996
 -
 210
 2,206
 Other comprehensive earnings (loss), net of tax
 1,996
 (587
)
 210
 1,619
 Balance at end of period
 \$
 (126,806
)
 \$
 (609
)
 \$
 (70
)
 \$

(127,485

)

Three-Months Ended March 31, 2017

Balance at beginning of period

\$

(128,373

)

\$

(1,162

)

\$

(1,152

)

\$

(130,687

)

Other comprehensive earnings before
reclassifications, net of tax

-

137

-

137

Amounts reclassified from accumulated
other comprehensive earnings, net of tax

1,910

-

215

2,125

Other comprehensive earnings, net of tax

1,910

137

215

2,262

Balance at end of period

\$

(126,463

)

\$

(1,025

)

\$

(937

)

\$

(128,425

)

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1.

Significant Accounting Policies (continued)

Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)

Changes in net noncurrent deferred tax assets recorded in accumulated other comprehensive loss are as follows:

(Dollars in Thousands)

Pension and

Postretirement

Benefit Plans

Unamortized

Value of

Terminated

Forward Starting

Interest Rate

Swap

Net Noncurrent

Deferred Tax

Assets

Three-Months Ended March 31, 2018

Balance at beginning of period

\$

79,938

\$

178

\$

80,116

Tax effect of other comprehensive earnings

(658

)

(137

)

(795

)

Balance at end of period

\$

79,280

\$

41

\$

79,321

Three-Months Ended March 31, 2017

Balance at beginning of period

\$

82,044

\$

749

\$

82,793

Tax effect of other comprehensive earnings

(1,185

)

(141

)

(1,326

)

Balance at end of period

\$

80,859

\$

608

\$

81,467

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1.

Significant Accounting Policies (continued)

Consolidated Comprehensive Earnings/Loss and Accumulated Other Comprehensive Loss (continued)

Reclassifications out of accumulated other comprehensive loss are as follows:

Three-Months Ended
 Affected line items in the consolidated
 March 31,
 statements of earnings and
 2018
 2017
 comprehensive earnings
 (Dollars in Thousands)
 Pension and postretirement benefit plans
 Amortization of:
 Prior service credit
 \$
 (585
)
 \$
 (357
)
 Actuarial loss
 3,239
 3,452
 2,654
 3,095
 Other nonoperating income, net
 Tax benefit
 (658
)
 (1,185
)
 Income tax expense
 \$
 1,996
 \$
 1,910
 Unamortized value of terminated
 forward starting interest rate swap
 Additional interest expense
 \$
 347
 \$
 356
 Interest expense

Tax benefit

(137

)

(141

)

Income tax expense

\$

210

\$

215

Earnings per Common Share

The numerator for basic and diluted earnings per common share is net earnings attributable to Martin Marietta Materials, Inc. reduced by dividends and undistributed earnings attributable to certain of the Company's stock-based compensation. If there is a net loss, no amount of the undistributed loss is attributed to unvested participating securities. The denominator for basic earnings per common share is the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed assuming that the weighted-average number of common shares is increased by the conversion, using the treasury stock method, of awards to be issued to employees and nonemployee members of the Company's Board of Directors under certain stock-based compensation arrangements if the conversion is dilutive. For the three-months ended March 31, 2018 and 2017, the diluted per-share computations reflect the number of common shares outstanding to include the number of additional shares that would have been outstanding if the potentially dilutive common shares had been issued.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1.

Significant Accounting Policies (continued)

Earnings per Common Share

The following table reconciles the numerator and denominator for basic and diluted earnings per common share:

Three-Months Ended

March 31,

2018

2017

(In Thousands)

Net earnings attributable to Martin Marietta Materials, Inc.

\$

10,023

\$

42,334

Less: Distributed and undistributed earnings

attributable to unvested awards

63

153

Basic and diluted net earnings available to common shareholders
attributable to Martin Marietta Materials, Inc.

\$

9,960

\$

42,181

Basic weighted-average common shares outstanding

62,957

63,024

Effect of dilutive employee and director awards

265

295

Diluted weighted-average common shares outstanding

63,222

63,319

2.

Revenue Recognition

Total revenues include sales of products and services to customers, net of any discounts or allowances, and freight revenues. Product revenues are recognized when control of the promised good is transferred to the customer, typically when finished products are shipped. Intersegment and interproduct revenues are eliminated in consolidation. Service revenues are derived from the paving business and recognized using the percentage-of-completion method under the revenue-cost approach. Under the revenue-cost approach, recognized contract revenue is determined by multiplying the total estimated contract revenue by the estimated percentage of completion. Contract costs are recognized as incurred. The percentage of completion is determined on a contract-by-contract basis using project costs incurred to date as a percentage of total estimated project costs. The Company believes the revenue-cost approach is appropriate as the use of asphalt in a paving contract is relatively consistent with the performance of the paving service. Paving contracts, notably with governmental entities, may contain performance bonuses based on quality specifications. Given the uncertainty of meeting the criteria until the performance obligation is completed, performance bonuses are recognized as revenues when and if determined to be achieved. Performance bonuses are not material to the Company's consolidated results of operations for the three-months ended March 31, 2018 and 2017. Freight revenues reflect delivery arranged by the Company using a third party on behalf of the customer and are recognized consistent with the timing of the product revenues.

Performance Obligations. Performance obligations are contractual promises to transfer or provide a distinct good or service for a stated price. The Company's product sales agreements are single-performance obligations that are satisfied at a point in time. Performance obligations within paving service agreements are satisfied over time, primarily ranging from one day to 20 months. For product revenues and freight revenues, customer payment terms are generally 30 days from invoice date. Customer payments for the paving operations are based on a contractual billing schedule and are due 30 days from invoice date.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Revenue Recognition (continued)

Future revenues from unsatisfied performance obligations at March 31, 2018 and 2017 were \$88,054,000 and \$145,921,000, respectively, where the remaining periods to complete these obligations ranged from one day to 20 months and one day to 11 months, respectively.

Sales Taxes. The Company is deemed to be an agent when collecting sales taxes from customers. Sales taxes collected are initially recorded as liabilities until remitted to taxing authorities and are not reflected in the consolidated statements of earnings as revenues and expenses.

Revenue by Category. The following table presents the Company's total revenues by category for each reportable segment:

Three-Months Ended

March 31, 2018

(Dollars in Thousands)

Products and Services

Freight

Total

Mid-America Group

\$

167,890

\$

10,891

\$

178,781

Southeast Group

77,563

2,676

80,239

West Group

442,983

30,739

473,722

Total Building Materials Business

688,436

44,306

732,742

Magnesia Specialties

64,869

4,393

69,262

Total

\$

753,305

\$

48,699

\$

802,004

Three-Months Ended

March 31, 2017

(Dollars in Thousands)

Products and Services

Freight

Total

Mid-America Group

\$

177,407

\$

11,612

\$

189,019

Southeast Group

86,726

3,556

90,282

West Group

463,881

32,100

495,981

Total Building Materials Business

728,014

47,268

775,282

Magnesia Specialties

64,302

4,275

68,577

Total

\$

792,316

\$

51,543

\$

843,859

Service revenues, which includes paving operations located in Colorado, were \$11,143,000 and \$16,000,000 for the three-months ended March 31, 2018 and 2017, respectively.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Revenue Recognition (continued)

Contract Balances. Costs in excess of billings relate to the conditional right to consideration for completed contractual performance and are contract assets on the consolidated balance sheets. Costs in excess of billings are reclassified to accounts receivable when the right to consideration becomes unconditional. Billings in excess of costs relate to customers invoiced in advance of contractual performance and are contract liabilities on the consolidated balance sheets. The following table presents information about the Company's contract balances:

(Dollars in Thousands)

March 31,

2018

December 31, 2017

March 31,

2017

Costs in excess of billings

\$

2,827

\$

1,310

\$

1,815

Billings in excess of costs

\$

6,136

\$

7,204

\$

5,953

Revenue recognized from beginning balance of contract liabilities for the three-months ended March 31, 2018 and 2017 were \$4,199,000 and \$3,835,000, respectively.

Retainage represents amounts that have been billed to customers but payment withheld until final acceptance of the performance obligation by the customer. Included on the Company's consolidated balance sheets, retainage was \$4,824,000, \$9,029,000 and \$5,759,000 at March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

Warranties. The Company's construction contracts contain warranty provisions generally for a period of nine months to one year after project completion and cover materials, design or workmanship defects. Historically, the Company has not experienced material costs for warranties. The ready mixed concrete product line carries longer warranty periods, for which the Company has accrued an estimate of warranty cost based on experience with the type of work and any known risks relative to the project. In total, warranty costs were not material to the Company's consolidated results of operations for the three-months ended March 31, 2018 and 2017.

Policy Elections. When the Company arranges third party freight to deliver products to customers, the Company has elected the delivery to be a fulfillment activity rather than a separate performance obligation. Further, the Company acts as a principal in the delivery arrangements and the related revenues and costs are included in the consolidated statements of earnings.

3 .

Inventories, Net

March 31,

December 31,

March 31,

2018

2017

2017

(Dollars in Thousands)

Finished products

\$

563,315

\$

552,999

\$

495,793

Products in process and raw materials

62,857

62,761

61,815

Supplies and expendable parts

128,754

128,792

120,054

754,926

744,552

677,662

Less: Allowances

(148,132

)

(143,961

)

(140,662

)

Total

\$

606,794

\$

600,591

\$

537,000

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4.

Long-Term Debt

March 31,

December 31,

March 31,

2018

2017

2017

(Dollars in Thousands)

6.60% Senior Notes, due 2018

\$

299,967

\$

299,871

\$

299,579

7% Debentures, due 2025

124,203

124,180

124,112

6.25% Senior Notes, due 2037

228,048

228,033

227,989

4.25% Senior Notes, due 2024

395,959

395,814

395,392

4.250% Senior Notes, due 2047

591,416

591,688

-

3.500% Senior Notes, due 2027

494,402

494,352

-

3.450% Senior Notes, due 2027

296,705

296,628

-

Floating Rate Senior Notes, due 2019, interest rate of 2.70%
and 2.13% at March 31, 2018 and December 31, 2017,
respectively

298,704

298,102

-

Floating Rate Notes, due 2020, interest rate of 2.55% and 2.10%
at March 31, 2018 and December 31, 2017, respectively

298,408

298,227

-

Floating Rate Notes, due 2017, interest rate of 2.10% at
March 31, 2017

-

-

298,878

Revolving Facility, due 2022, interest rate of 1.89% at March 31,
2017

-

-

210,000

Trade Receivable Facility, interest rate of 1.51% at March 31,
2017

-

-

290,000

Other notes

296

308

344

Total debt

3,028,108

3,027,203

1,846,294

Less: Current maturities of long-term debt and short-term
facilities

(300,006

)

(299,909

)

(290,048

)

Long-term debt

\$

2,728,102

\$

2,727,294

\$

1,556,246

The Company, through a wholly-owned special-purpose subsidiary, has a \$300,000,000 trade receivable securitization facility (the Trade Receivable Facility) that is scheduled to mature September 26, 2018. The Trade Receivable Facility, with SunTrust Bank, Regions Bank, PNC Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, LTD., New York Branch, and certain other lenders that may become a party to the facility from time to time, is backed by eligible trade receivables, as defined, and is limited to the lesser of the facility limit or the borrowing base, as defined, of \$349,283,000, \$338,784,000 and \$362,693,000 at March 31, 2018, December 31, 2017 and March 31, 2017, respectively. These receivables are originated by the Company and then sold to the wholly-owned special-purpose subsidiary by the Company. The Company continues to be responsible for the servicing and administration of the receivables purchased by the wholly-owned special-purpose subsidiary. Borrowings under the Trade Receivable Facility bear interest at a rate equal to one-month London Inter-bank Offered Rate, or LIBOR, plus 0.725%, subject to change in the event that this rate no longer reflects the lender's cost of lending. The Trade Receivable Facility contains a cross-default provision to the Company's other debt agreements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4.

Long-Term Debt (continued)

The Company has a \$700,000,000 five-year senior unsecured revolving facility (the Revolving Facility) with JPMorgan Chase Bank, N.A., as Administrative Agent, Branch Banking and Trust Company (BB&T), Deutsche Bank Securities, Inc., SunTrust Bank and Wells Fargo Bank, N.A., as Co-Syndication Agents, and the lenders party thereto. The Revolving Facility requires the Company's ratio of consolidated debt-to-consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), as defined by the Revolving Facility, for the trailing-twelve months (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Company may exclude from the Ratio debt incurred in connection with certain acquisitions during such quarter or the three preceding quarters so long as the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if no amounts are outstanding under both the Revolving Facility and the Trade Receivable Facility, consolidated debt, including debt for which the Company is a co-borrower, may be reduced by the Company's unrestricted cash and cash equivalents in excess of \$50,000,000, such reduction not to exceed \$200,000,000, for purposes of the covenant calculation. The Company was in compliance with this Ratio at March 31, 2018.

Available borrowings under the Revolving Facility are reduced by any outstanding letters of credit issued by the Company under the Revolving Facility. The Company had \$2,301,000 of outstanding letters of credit issued under the Revolving Facility at March 31, 2018 and December 31, 2017 and \$2,507,000 at March 31, 2017.

Accumulated other comprehensive loss includes the unamortized value of terminated forward starting interest rate swap agreements. For the three-months ended March 31, 2018 and 2017, the Company recognized \$347,000 and \$356,000, respectively, as additional interest expense. The amortization of the terminated value of the forward starting interest rate swap agreements will be complete with the maturity of the related debt in April 2018.

5.

Financial Instruments

The Company's financial instruments include cash equivalents, accounts receivable, notes receivable, bank overdrafts, accounts payable, publicly-registered long-term notes, debentures and other long-term debt.

Cash equivalents are placed primarily in money market funds, money market demand deposit accounts and Eurodollar time deposits. The Company's cash equivalents have original maturities of less than three months. Due to the short maturity of these investments, they are carried on the consolidated balance sheets at cost, which approximates fair value.

Accounts receivable are due from a large number of customers, primarily in the construction industry, and are dispersed across wide geographic and economic regions. However, accounts receivable are more heavily concentrated in certain states (namely, Texas, Colorado, North Carolina, Iowa and Georgia). The estimated fair values of accounts receivable approximate their carrying amounts due to the short-term nature of the receivables.

Notes receivable are not publicly traded. Management estimates that the fair value of notes receivable approximates the carrying amount due to the short-term nature of the receivables.

Bank overdrafts, when applicable, represent amounts to be funded to financial institutions for checks that have cleared the bank. The estimated fair value of bank overdrafts approximates its carrying value due to the short-term nature of the overdraft.

Accounts payable represent amounts owed to suppliers and vendors. The estimated fair value of accounts payable approximates its carrying amount due to the short-term nature of the payables.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5.

Financial Instruments (continued)

The carrying values and fair values of the Company's long-term debt were \$3,028,108,000 and \$3,037,069,000, respectively, at March 31, 2018; \$3,027,203,000 and \$3,144,902,000, respectively, at December 31, 2017; and \$1,846,294,000 and \$1,937,310,000, respectively, at March 31, 2017. The estimated fair value of the publicly-registered long-term notes was estimated based on Level 1 of the fair value hierarchy using quoted market prices. The estimated fair value of other borrowings, which primarily represents variable-rate debt, was based on Level 2 of the fair value hierarchy using quoted market prices for similar debt instruments, and approximates their carrying amounts as the interest rates reset periodically.

6.

Income Taxes

The Company's effective income tax rate for the three-months ended March 31, 2018 was 19.7%. The effective income tax rate reflects the effect of federal and state income taxes and the impact of differences in book and tax accounting arising from the net permanent benefits associated with the statutory depletion deduction for mineral reserves. For the three-months ended March 31, 2018, the effective income tax rate also reflects two discrete events: a favorable impact of \$1,325,000, or 1,060 basis points, related to the vesting and exercise of stock-based compensation awards and an unfavorable impact of \$1,097,000, or 880 basis points, related to an estimate of the transition tax on undistributed foreign earnings, a provision of the Tax Cuts and Jobs Act of 2017 (2017 Tax Act). The enactment of the 2017 Tax Act reduced the federal statutory corporate income tax rate from 35% to 21% beginning in 2018. Therefore, the effective income tax rate of 25.6% for the three-months ended March 31, 2017 is not comparable.

The Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 (SAB 118) to address situations when a

registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the 2017 Tax Act. As such, due to the timing of the enactment date and the Company's reporting periods, the Company recognized provisional amounts for the remeasurement of deferred tax assets and liabilities as of December 31, 2017 and transition tax on undistributed foreign earnings as of March 31, 2018, and continues to analyze and assess other provisions of the 2017 Tax Act. In accordance with SAB 118, the Company may record additional provisional amounts during the measurement period not to extend beyond one year of the enactment date and expects the accounting to be complete when the Company's 2017 U.S. corporate income tax return is filed in 2018. Any future measurement period adjustments will be recognized as income tax expense or benefit in 2018.

The Company records interest accrued in relation to unrecognized tax benefits as income tax expense. Penalties, if incurred, are recorded as operating expenses in the consolidated statements of earnings and comprehensive earnings.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7.

Pension and Postretirement Benefits

The estimated components of the recorded net periodic benefit cost (credit) for pension and postretirement benefits are as follows:

Three-Months Ended March 31,

Pension

Postretirement Benefits

2018

2017

2018

2017

(Dollars in Thousands)

Service cost

\$

8,148

\$

6,572

\$

22

\$

24

Interest cost

8,361

9,008

125

185

Expected return on assets

(10,629

)

(9,936

)

-

-

Amortization of:

Prior service cost (credit)

26

78

(611

)

(435

)

Actuarial loss (gain)

3,296

3,524

(57

)

(72

)

Net periodic benefit cost (credit)

\$

9,202

\$

9,246

\$

(521

)

\$

(298

)

The service cost component of net periodic benefit cost (credit) is included in cost of revenues - products and services and selling, general and administrative expenses while all other components are included in other nonoperating income, net, in the consolidated statements of earnings and comprehensive earnings.

8.

Commitments and Contingencies

Legal and Administrative Proceedings

The Company is engaged in certain legal and administrative proceedings incidental to its normal business activities. In the opinion of management and counsel, based upon currently-available facts, it is remote that the ultimate outcome of any litigation and other proceedings, including those pertaining to environmental matters, relating to the Company and its subsidiaries, will have a material adverse effect on the overall results of the Company's operations, its cash flows or its financial position.

Borrowing Arrangements with Affiliate

The Company is a co-borrower with an unconsolidated affiliate for a \$15,500,000 revolving line of credit agreement with BB&T with a maturity date of March 2020. The affiliate has agreed to reimburse and indemnify the Company for any payments and expenses the Company may incur from this agreement. The Company holds a lien on the affiliate's membership interest in a joint venture as collateral for payment under the revolving line of credit.

In addition, the Company has a \$6,000,000 interest-only loan, due December 31, 2019, outstanding from this unconsolidated affiliate as of March 31, 2018, December 31, 2017 and March 31, 2017. The interest rate is one-month LIBOR plus 1.75%.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9.

Business Segments

The Building Materials business contains three reportable business segments: Mid-America Group, Southeast Group and West Group. The Company also has a Magnesia Specialties segment. The Company's evaluation of performance and allocation of resources are based primarily on earnings from operations. Consolidated earnings from operations include total revenues less cost of revenues, selling, general and administrative expenses, acquisition-related expenses, other operating income and expenses, net, and exclude interest expense, other nonoperating income and expenses, net, and taxes on income. Corporate loss from operations primarily includes depreciation on capitalized interest, unallocated expenses for corporate administrative functions, acquisition-related expenses, and other nonrecurring income and expenses excluded from the Company's evaluation of business segment performance and resource allocation. All debt and related interest expense is held at Corporate.

The following table displays selected financial data for the Company's reportable business segments. Total revenues, as well as the consolidated statements of earnings and comprehensive earnings, exclude intersegment revenues which represent sales from one segment to another segment, which are eliminated. Prior-year information has been reclassified to conform to current year revenue presentation.

Three-Months Ended

March 31,

2018

2017

(Dollars in Thousands)

Total revenues :

Mid-America Group

\$

178,781

\$

189,019

Southeast Group

80,239

90,282

West Group

473,722

495,981

Total Building Materials Business

732,742

775,282

Magnesia Specialties

69,262

68,577

Total

\$

802,004

\$

843,859

Products and services revenues:

Mid-America Group

\$

167,890

\$

177,407

Southeast Group

77,563

86,726

West Group

442,983

463,881

Total Building Materials Business

688,436

728,014

Magnesia Specialties

64,869

64,302

Total

\$

753,305

\$

792,316

Earnings (Loss) from operations :

Mid-America Group

\$

6,167

\$

13,342

Southeast Group

2,041
 10,115
 West Group
 34,951
 61,232
 Total Building Materials Business
 43,159
 84,689
 Magnesia Specialties
 21,237
 19,881
 Corporate
 (25,315
)
 (27,420
)
 Total
 \$
 39,081
 \$
 77,150

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
 FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10.

Revenues and Gross Profit

The Building Materials business includes the aggregates, cement, ready mixed concrete and asphalt and paving product lines. All cement, ready mixed concrete and asphalt and paving product lines reside in the West Group. The following table, which is reconciled to consolidated amounts, provides total revenues and gross profit by product line.

Three-Months Ended

March 31,

2018

2017

(Dollars in Thousands)

Total revenues:

Building Materials Business:

Products and services:

Aggregates

\$

425,016	
\$	
451,055	
Cement	
89,183	
93,554	
Ready mixed concrete	
218,537	
222,378	
Asphalt and paving services	
16,365	
21,737	
Less: interproduct revenues	
(60,665	
)	
(60,710	
)	
Products and services	
688,436	
728,014	
Freight	
44,306	
47,268	
Total Building Materials Business	
732,742	
775,282	
Magnesia Specialties:	
Products and services	
64,869	
64,302	
Freight	
4,393	
4,275	
Total Magnesia Specialties	
69,262	
68,577	
Total	
\$	
802,004	
\$	
843,859	

Gross profit (loss) :

Building Materials Business:

Products and services:

Aggregates

\$

53,002

\$

78,954

Cement

23,734

30,780

Ready mixed concrete

15,641

19,790

Asphalt and paving services

(7,639

)

(4,740

)

Products and services

84,738

124,784

Freight

(119

)

407

Total Building Materials Business

84,619

125,191

Magnesia Specialties:

Products and services

25,063

23,354

Freight

(1,174

)

(1,039

)

Total Magnesia Specialties

23,889

22,315

Corporate

1,884

(439

)

Total

\$

110,392

\$

147,067

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11.

Supplemental Cash Flow Information

The components of the change in other assets and liabilities, net, are as follows:

March 31,

2018

2017

(Dollars in Thousands)

Other current and noncurrent assets

\$

(9,032

)

\$

(22,914

)

Accrued salaries, benefits and payroll taxes

(13,833

)

(21,335

)

Accrued insurance and other taxes

(12,545

)

(10,557

)

Accrued income taxes

7,357

3,330

Accrued pension, postretirement and postemployment benefits

6,273

6,421

Other current and noncurrent liabilities

11,359

21,385

\$

(10,421

)

\$

(23,670

)

Noncash investing and financing activities are as follows:

March 31,

2018

2017

(Dollars in Thousands)

Noncash investing and financing activities:

Accrued liabilities for purchases of property, plant and equipment

\$

35,639

\$

34,666

Acquisition of assets through capital lease

\$

192

\$

149

Supplemental disclosures of cash flow information are as follows:

March 31,

2018

2017

(Dollars in Thousands)

Cash paid for interest

\$

12,458

\$

12,216

Cash (refund of) paid for income taxes

\$

(7,527

)

\$

6,240

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12.

Subsequent Events

Debt Repayment

The Company repaid the \$300,000,000 of 6.60% Senior Notes with cash on hand on April 16, 2018, the maturity date.

Facility Limit Increase

On April 17, 2018, the Company and its wholly-owned subsidiary amended its Trade Receivable Facility to increase the facility limit to \$400,000,000.

Bluegrass Acquisition

On April 27, 2018, the Company successfully completed its previously announced acquisition of Bluegrass Materials Company (Bluegrass), the largest privately-held, pure-play aggregates company in the United States, for \$1,625,000,000 in cash. Bluegrass' operations include 23 active sites with more than 125 years of strategically-located, high-quality reserves, in Georgia, South Carolina, Tennessee, Maryland, Kentucky and Pennsylvania. These operations complement the Company's existing southeastern footprint and provides a new growth platform within the southern portion of the Northeast Megaregion. The Company reached an agreement with the U.S. Department of Justice (DOJ), approved by the district court for the District of Columbia, which resolves all competition issues with respect to the acquisition. Under the terms of the agreement with the DOJ, Martin Marietta divested its Forsyth aggregates quarry north of Atlanta, Georgia, and will divest Bluegrass' Beaver Creek aggregates quarry in western Maryland.

The acquisition reflects a stock transaction where the Company acquired 100% of the voting interest. The Company acquired accounts receivable; inventories; property, plant and equipment; intangible assets; prepaid and other assets; and assumed accounts payable; accrued liabilities and deferred tax assets and liabilities. The Company did not acquire any of Bluegrass' cash and cash equivalents nor did it assume any of Bluegrass' outstanding debt. The Company is in the process of determining the fair value of assets acquired and liabilities assumed, and as of May 8, 2018, the initial accounting for the business combination has not been completed.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

First Quarter Ended March 31, 2018

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

Martin Marietta Materials, Inc. (the Company or Martin Marietta) is a natural resource-based building materials company. The Company supplies aggregates (crushed stone, sand and gravel) through its network of 282 quarries, mines and distribution yards to its customers in 30 states, Canada, the Bahamas and the Caribbean Islands. In the western United States, Martin

Marietta also provides cement and downstream products, namely, ready mixed concrete, asphalt and paving services, in vertically-integrated structured markets where the Company has a leading aggregates position. The Company's heavy-side building materials are used in infrastructure, nonresidential and residential construction projects. Aggregates are also used in agricultural, utility and environmental applications and as railroad ballast. The aggregates, cement, ready mixed concrete and asphalt and paving product lines are reported collectively as the "Building Materials" business.

The Company conducts its Building Materials business through three reportable business segments: Mid-America Group, Southeast Group and West Group.

BUILDING MATERIALS BUSINESS

Reportable Segments

Mid-America Group

Southeast Group

West Group

Operating Locations

Indiana, Iowa, northern Kansas, Kentucky, Maryland, Minnesota, Missouri, eastern Nebraska, North Carolina, Ohio, South Carolina, Virginia, Washington and West Virginia

Alabama, Florida, Georgia, Tennessee, Nova Scotia and the Bahamas

Arkansas, Colorado, southern Kansas, Louisiana, western Nebraska, Nevada, Oklahoma, Texas, Utah and Wyoming

Product Lines

Aggregates

Aggregates

Aggregates, Cement, Ready Mixed Concrete, Asphalt and Paving

Plant Types

Quarries, Mines and Distribution Facilities

Quarries, Mines and Distribution Facilities

Quarries, Mines, Plants and

Distribution Facilities

Modes of Transportation

Truck and Railcar

Truck, Railcar and Water

Truck and Railcar

The Company also has a Magnesia Specialties business that produces magnesia-based chemicals products used in industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel and mining industry.

CRITICAL ACCOUNTING POLICIES

The Company outlined its critical accounting policies in its Annual Report on Form 10-K for the year ended December 31, 2017. There were no changes to the Company's critical accounting policies during the three-months ended March 31, 2018.

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(Continued)

RESULTS OF OPERATIONS

The Building Materials business is significantly affected by weather patterns and seasonal changes. Production and shipment levels for aggregates, cement, ready mixed concrete and asphalt and paving materials correlate with general construction activity levels, most of which occur in the spring, summer and fall. Thus, production and shipment levels vary by quarter. Operations concentrated in the northern and midwestern United States generally experience more severe winter weather conditions than operations in the southeast and southwest. Excessive rainfall, and conversely excessive drought, can also jeopardize production, shipments and profitability in all markets served by the Company. Because of the potentially significant impact of weather on the Company's operations, current period and year-to-date results are not indicative of expected performance for other interim periods or the full year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) is a widely accepted financial indicator of a company's ability to service and/or incur indebtedness. EBITDA is not defined by generally accepted accounting principles and, as such, should not be construed as an alternative to net earnings, operating earnings or operating cash flow. However, the Company's management believes that EBITDA may provide additional information with respect to the Company's performance or ability to meet its future debt service, capital expenditures or working capital requirements. Because EBITDA excludes some, but not all, items that affect net earnings and may vary among companies, EBITDA presented by the Company may not be comparable to similarly titled measures of other companies.

A reconciliation of net earnings attributable to Martin Marietta Materials, Inc. to consolidated EBITDA is as follows:

Three-Months Ended

March 31,

2018

2017

(Dollars in thousands)

Net Earnings Attributable to Martin Marietta Materials, Inc.

\$

10,023

\$

42,334

Add back:

Interest expense

35,087

20,851

Income tax expense for controlling interests

2,438

14,522

Depreciation, depletion and amortization expense

75,714

70,007

Consolidated EBITDA

\$

123,262

\$

147,714

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(Continued)

Significant items for the quarter ended March 31, 2018 (unless noted, all comparisons are versus the prior-year quarter):

Consolidated total revenues of \$802.0 million compared with \$843.9 million

Building Materials business products and services revenues of \$688.4 million compared with \$728.0 million and Magnesia Specialties product revenues of \$64.9 million compared with \$64.3 million

Consolidated gross profit of \$110.4 compared with \$147.1 million

Consolidated earnings from operations of \$39.1 million compared with \$77.2 million

Net earnings attributable to Martin Marietta of \$10.0 million compared with \$42.3 million

EBITDA of \$123.3 million compared with \$147.7 million

Earnings per diluted share of \$0.16 compared with \$0.67

The following table presents total revenues, gross profit (loss), selling, general and administrative expenses and earnings (loss) from operations data for the Company and its reportable segments for the three-months ended March 31, 2018 and 2017. In each case, the data is stated as a percentage of total revenues of the Company or the relevant segment, as the case may be. Prior-year information has been reclassified to conform to current year revenue presentation.

Three-Months Ended March 31,

2018

2017

Amount

% of Total Revenues

Amount

% of Total Revenues

(Dollars in Thousands)

Total revenues:

Building Materials Business

Mid-America Group

\$

178,781

100.0

\$

189,019

100.0

Southeast Group

80,239

100.0

90,282

100.0

West Group

473,722

100.0

495,981

100.0

Total Building Materials Business

732,742

100.0

775,282

100.0

Magnesia Specialties

69,262

100.0

68,577

100.0

Total

\$

802,004

100.0

\$

843,859

100.0

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(Continued)

Three-Months Ended March 31,

2018

2017

Amount

% of Total Revenues

Amount

% of Total Revenues

(Dollars in Thousands)

Gross profit (loss):

Building Materials Business

Mid-America Group

\$
18,255
10.2
\$
26,285
13.9
Southeast Group
6,167
7.7
14,369
15.9
West Group
60,197
12.7
84,537
17.0
Total Building Materials Business
84,619
11.5
125,191
16.1
Magnesia Specialties
23,889
34.5
22,315
32.5
Corporate
1,884
(439
)
Total
\$
110,392
13.8
\$
147,067
17.4
Selling, general & administrative expenses:
Building Materials Business
Mid-America Group
\$

13,130
7.3
\$
13,544
7.2
Southeast Group
4,416
5.5
4,352
4.8
West Group
26,132
5.5
25,074
5.1
Total Building Materials Business
43,678
6.0
42,970
5.5
Magnesia Specialties
2,602
3.8
2,388
3.5
Corporate
23,841
24,177
Total
\$
70,121
8.7
\$
69,535
8.2
Earnings (Loss) from operations:
Building Materials Business
Mid-America Group
\$
6,167
3.4

\$
13,342
7.1
Southeast Group
2,041
2.5
10,115
11.2
West Group
34,951
7.4
61,232
12.3
Total Building Materials Business
43,159
5.9
84,689
10.9
Magnesia Specialties
21,237
30.7
19,881
29.0
Corporate
(25,315
)
(27,420
)
Total
\$
39,081
4.9
\$
77,150
9.1

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(Continued)

Building Materials Business

Products and services revenues by product line for the Building Materials business are as follows:

Three-Months Ended

March 31,

2018

2017

(Dollars in Thousands)

Products and services revenues:

Aggregates

\$

425,016

\$

451,055

Cement

89,183

93,554

Ready Mixed Concrete

218,537

222,378

Asphalt and Paving

16,365

21,737

Less: Interproduct revenues

(60,665

)

(60,710

)

Total Building Materials Business

\$

688,436

\$

728,014

The following tables present aggregates products volume and pricing variance data and shipments data by segment:

Three-Months Ended

March 31, 2018

Volume

Pricing

Volume/Pricing variance (1)

Mid-America Group

(9.9

)%

4.9

%

Southeast Group

(12.4

)%

2.2

%

West Group

(4.7

)%

0.8

%

Aggregates Product Line

(7.9

)%

2.3

%

(1)

Volume/pricing variances reflect the percentage increase/(decrease) from the comparable period in the prior year.

The average selling price by product line for the Building Materials business is as follows:

Three-Months Ended

March 31,

2018

2017

% Change

Aggregates (per ton)

\$

14.04

\$

13.73

2.3

%

Cement (per ton)

\$

106.86

\$

102.54

4.2

%

Ready Mixed Concrete (per cubic yard)

\$

106.34

\$

105.84

0.5

%

Asphalt (per ton)

\$

42.81

\$

37.97

12.7

%

Average selling prices improved across all product lines and geographies despite lower shipment volumes. Aggregates average selling price improvement was led by a 4.9% increase in the Mid-America Group, driven by continued price discipline and favorable product mix.

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(Continued)

Three-Months Ended

March 31,

2018

2017

(Tons in Thousands)

Shipments

Mid-America Group

11,473

12,738

Southeast Group

4,405

5,028

West Group

14,142

14,845

Aggregates Product Line

30,020

32,611

The following table presents shipments data for the Building Materials business by product line.

Three-Months Ended

March 31,

2018

2017

Shipments

Aggregates Product Line (in thousands):

Tons to external customers

27,877

30,418

Internal tons used in other product lines

2,143

2,193

Total aggregates tons

30,020

32,611

Cement (in thousands):

Tons to external customers

527

606

Internal tons used in ready mixed concrete

298

299

Total cement tons

825

905

Ready Mixed Concrete (in thousands of cubic yards)

2,009

2,056

Asphalt (in thousands):

Tons to external customers

116

153

Internal tons used in paving business

76

124

Total asphalt tons

192

277

Aggregates shipments returned to levels more in-line with historical trends and patterns. Winter weather traditionally limits the ability of outdoor contractors to perform work. First quarter aggregates shipments declined 7.9% compared with the prior-year

quarter when the weather was unseasonably favorable. Additionally, the volume decline was impacted by transportation logistics issues in the first quarter 2018.

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Aggregates shipments to the infrastructure market decreased 11% as significant precipitation and cold temperatures delayed the start to the construction season. As state Departments of Transportation (DOTs) and contractors continue to address labor constraints and the construction industry benefits from further regulatory reform, management remains confident that infrastructure demand will improve from the funding provided by the Fixing America's Surface Transportation Act (FAST Act) and numerous state and local transportation initiatives. Overall, aggregates shipments to the infrastructure market comprised 36% of first-quarter aggregates volumes, well below the Company's most recent five-year average of 43%.

Aggregates shipments to the nonresidential market decreased 10% overall, driven by weather-impacted challenges in office and retail construction activity. Notably, the Mideast Division, and more specifically, the Ohio District, reported strong heavy industrial growth, as a large pipeline project commenced construction after obtaining long-awaited federal clearance. Continued project approvals, coupled with higher oil prices, underpins management's expectation that the next wave of large energy-sector projects, particularly along the Gulf Coast, should notably contribute to increased aggregates consumption. The nonresidential market represented 31% of first-quarter aggregates shipments.

Aggregates shipments to the residential market, which tends to be the least weather-constrained end use, were flat for the first quarter. The outlook for residential construction remains robust across the Company's geographic footprint, driven by favorable demographics, job growth, land availability and efficient permitting. Notably, Texas, Florida, North Carolina, Georgia, Colorado and South Carolina, key geographies for the Building Materials business, comprised six of the top ten states for growth in single-family housing unit starts for the trailing-twelve-months ended March 2018. The residential market accounted for 24% of first-quarter aggregates shipments.

Aggregates shipments to the ChemRock/Rail market declined 11% versus the prior-year quarter. Lower ballast shipments reflect weather constraints and the timing of certain purchases by East Coast railroads in the prior-year quarter. Additionally, in line with expectations, agricultural lime shipments declined 8%, driven by more typical winter precipitation. The ChemRock/Rail market accounted for the remaining 9% of first-quarter aggregates shipments.

Magnesia Specialties Business

Magnesia Specialties reported first-quarter total revenues of \$69.3 million compared with \$68.6 million. Gross profit was \$23.9 million compared with \$22.3 million and earnings from operations were \$21.2 million compared with \$19.9 million. Lower contract services and maintenance costs contributed to increased profitability.

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Gross Profit

The following presents a rollforward of consolidated gross profit (dollars in thousands):

Consolidated gross profit, quarter ended March 31, 2017

\$

147,067

Aggregates product:

Volume

(36,976

)

Pricing

10,956

Cost increase, net

68

Change in aggregates product gross profit

(25,952

)

Cement products and downstream products and services

(14,094

)

Magnesia Specialties products

1,709

Corporate

2,323

Freight

(661

)

Change in consolidated gross profit

(36,675

)

Consolidated gross profit, quarter ended March 31, 2018

\$

110,392

Gross profit (loss) by business is as follows:

Three-Months Ended

March 31,

2018

2017

(Dollars in Thousands)

Gross profit (loss):

Products and services:

Building Materials Business

Aggregates

\$

53,002
\$
78,954
Cement
23,734
30,780
Ready Mixed Concrete
15,641
19,790
Asphalt and Paving
(7,639
)
(4,740
)
Products and services
84,738
124,784
Freight
(119
)
407
Total Building Materials Business
84,619
125,191
Magnesia Specialties
Products and services
25,063
23,354
Freight
(1,174
)
(1,039
)
Total Magnesia Specialties
23,889
22,315
Corporate
1,884
(439
)
Total

\$

110,392

\$

147,067

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Cement outage costs, which reflect planned and unplanned plant shutdowns, were \$7.3 million for the quarter compared with \$4.4 million for the prior-year quarter.

Consolidated Operating Results

Consolidated SG&A was 8.7% of total revenues compared with 8.2% in the prior-year quarter. The increase of 50 basis points reflects the negative impact of weather on total revenues. Earnings from operations for the quarter were \$39.1 million compared with \$77.2 million in 2017.

Among other items, other operating expense, net, includes gains and losses on the sale of assets; recoveries and writeoffs related to customer accounts receivable; rental, royalty and services income; accretion expense, depreciation expense and gains and losses related to asset retirement obligations. For the first quarter, consolidated other operating expense, net, was \$0.5 million in 2018 and \$0.4 million in 2017.

Other nonoperating income, net, includes interest income; pension and postretirement benefit cost, excluding service cost; foreign currency transaction gains and losses; equity in earnings or losses of nonconsolidated affiliates and other miscellaneous income. For the first quarter, nonoperating income, net, was \$8.5 million and \$0.5 million in 2018 and 2017, respectively. Nonoperating income, net, for 2018 reflects a \$5.2 million increase in interest income and an increase in equity investment income.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities for the three-months ended March 31 was \$105.0 million in 2018 compared with \$73.9 million in 2017. Operating cash flow is primarily derived from consolidated net earnings before deducting depreciation, depletion and amortization, and the impact of changes in working capital. Depreciation, depletion and amortization were as follows:

Three-Months Ended

March 31,

2018

2017

(Dollars in Thousands)

Depreciation

\$

69,151

\$

62,988

Depletion

3,141

3,436

Amortization

4,529

3,952

\$

76,821

\$

70,376

The seasonal nature of construction activity impacts the Company's quarterly operating cash flow when compared with the full year. Full-year 2017 net cash provided by operating activities was \$657.6 million, reflective of the reclassification of net proceeds and payments of corporate-owned life insurance of \$0.3 million from operating activities to investing activities, compared with \$73.9 million for the first three months of 2017.

During the three-months ended March 31, 2018, the Company paid \$96.3 million for capital investments. Full-year capital spending is expected to approximate \$450 million to \$500 million.

The Company can repurchase its common stock through open-market purchases pursuant to authority granted by its Board of Directors or through private transactions at such prices and upon such terms as the Chief Executive Officer

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deems appropriate. The Company did not make any repurchases of common stock during the first quarter. At March 31, 2018, 14,669,000 shares of common stock were remaining under the Company's repurchase authorization.

On April 27, 2018, the Company successfully completed its previously announced acquisition of Bluegrass Materials Company (Bluegrass), the largest privately-held, pure-play aggregates company in the United States, for \$1.625 billion in cash. Bluegrass' operations include 23 active sites with more than 125 years of strategically-located, high-quality reserves in Georgia, South Carolina, Tennessee, Maryland, Kentucky and Pennsylvania. These operations complement the Company's existing southeastern footprint and provides a new growth platform within the southern portion of the Northeast Megaregion. The Company reached an agreement with the U.S. Department of Justice (DOJ), approved by the district court for the District of Columbia, which resolves all competition issues with respect to the acquisition. Under the terms of the agreement with the DOJ, Martin Marietta divested its Forsyth aggregates quarry north of Atlanta, Georgia, and will divest Bluegrass' Beaver Creek aggregates quarry in western Maryland. The acquisition reflects a stock transaction where the Company acquired 100% of the voting interest. The Company did not acquire any of Bluegrass' cash and cash equivalents nor did it assume any of Bluegrass' outstanding debt. The Company expects to realize annual synergies of approximately \$15 million within twelve months of the transaction's close date.

The \$700 million Revolving Facility requires the Company's ratio of consolidated debt-to-consolidated EBITDA, as defined, for the trailing-twelve-month period (the Ratio) to not exceed 3.50x as of the end of any fiscal quarter, provided that the Company may exclude from the Ratio debt incurred in connection with certain acquisitions during the quarter or the three preceding quarters so long as the Ratio calculated without such exclusion does not exceed 3.75x. Additionally, if there are no amounts outstanding under the Revolving Facility and the \$300 million Trade Receivable Facility, consolidated debt, including debt for which the Company is a co-borrower, may be reduced by the Company's unrestricted cash and cash equivalents in excess of \$50 million, such reduction not to exceed \$200 million, for purposes of the covenant calculation.

The Ratio is calculated as debt, including debt for which the Company is a co-borrower, divided by consolidated EBITDA, as defined by the Company's Revolving Facility, for the trailing-twelve months. Consolidated EBITDA is generally defined as

earnings before interest expense, income tax expense, and depreciation and amortization expense for continuing operations. Additionally, stock-based compensation expense is added back and interest income is deducted in the calculation of consolidated EBITDA. Certain other nonrecurring items, if they occur, can affect the calculation of consolidated EBITDA.

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At March 31, 2018, the Company's ratio of consolidated debt-to-consolidated EBITDA, as defined by the Company's Revolving Facility, for the trailing-twelve months was 1.62 times and was calculated as follows:

April 1, 2017 to

March 31, 2018

(Dollars in thousands)

Earnings from continuing operations attributable to Martin Marietta

\$

681,031

Add back:

Interest expense

105,723

Depreciation, depletion and amortization expense

299,822

Stock-based compensation expense

29,945

Acquisition-related expenses

9,292

Deduct:

Interest income

(5,814

)

Income tax benefit

(106,599

)

Consolidated EBITDA, as defined by the Company's Revolving Facility

\$

1,013,400

Consolidated net debt, as defined and including debt for which the
Company is a co-borrower, at March 31, 2018

\$

1,643,372

Consolidated debt-to-consolidated EBITDA, as defined by the Company's Revolving Facility, at March 31, 2018 for the trailing-twelve months EBITDA

1.62x

The Trade Receivable Facility contains a cross-default provision to the Company's other debt agreements. In the event of a default on the Ratio, the lenders can terminate the Revolving Facility and Trade Receivable Facility and declare any outstanding balances as immediately due. Outstanding amounts on the Trade Receivable Facility have been classified as a current liability on the Company's consolidated balance sheet.

Cash on hand, along with the Company's projected internal cash flows and availability of financing resources, including its access to debt and equity capital markets, is expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, address near-term debt maturities, meet capital expenditures and discretionary investment needs, and certain acquisition opportunities that may arise and allow for payment of dividends for the foreseeable future. The Company financed the Bluegrass acquisition using proceeds from issuances of senior notes in December 2017 and borrowings under credit facilities. Any future significant strategic acquisition for cash would likely require an appropriate balance of newly-issued equity with debt in order to maintain a composite investment-grade credit rating. Subsequent to borrowings made to partially finance the Bluegrass acquisition, the Company had \$502.7 million of unused borrowing capacity under its Revolving Facility and Trade Receivable Facility, subject to complying with the related leverage covenant. The Revolving Facility expires on December 5, 2021 and the Trade Receivable Facility expires on September 26, 2018.

The Company repaid the \$300 million of 6.60% Senior Notes with cash on hand on April 16, 2018, the maturity date.

On April 17, 2018, the Company and its wholly-owned subsidiary amended its Trade Receivable Facility to increase the facility limit to \$400,000,000.

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(Continued)

On May 22, 2017, the Company issued \$300 million aggregate principal amount of Floating Rate Senior Notes due in 2020 and \$300 million aggregate principal amount of 3.450% Senior Notes due in 2027. On December 20, 2017, the Company issued \$300 million aggregate principal amount of Floating Rate Senior Notes due 2019, \$500 million aggregate principal amount of 3.500% Senior Notes due 2027 and \$600 million aggregate principal amount of 4.250% Senior Notes due 2047. The Company repaid \$300 million aggregate principal amount of Floating Rate Senior at its maturity in June 2017.

The Company is exposed to the credit markets, through the interest cost related to its variable-rate debt, which included borrowings under its Revolving Facility and Trade Receivable Facility and the obligations in respect of the Floating Rate Notes. The Company is currently rated at an investment-grade level by all three credit rating agencies.

TRENDS AND RISKS

The Company outlined the risks associated with its business in its Annual Report on Form 10-K for the year ended December 31, 2017. Management continues to evaluate its exposure to all operating risks on an ongoing basis.

OUTLOOK

The Company remains optimistic about the Company's about its near-term and long-term outlook given its continued ability to successfully execute its strategic business plan and the largely positive trends in the markets it serves. The Company expects growth in all three primary construction end-use markets as the current broad-based recovery continues on a steady and extended basis.

Management reaffirms its full-year 2018 guidance for its legacy business. Specifically:

Heritage aggregates average selling price is expected to increase in a range of 3% to 5% and shipments by end-use market compared with 2017 levels are as follows:

-

Infrastructure shipments to increase in the mid-single digits.

-

Nonresidential shipments to increase in the low- to mid-single digits.

-

Residential shipments to increase in the high-single digits.

-

ChemRock/Rail shipments to remain stable.

OTHER MATTERS

If you are interested in Martin Marietta stock, management recommends that, at a minimum, you read the Company's current annual report and Forms 10-K, 10-Q and 8-K reports to the Securities and Exchange Commission (SEC) over the past year. The Company's recent proxy statement for the annual meeting of shareholders also contains important information. These and other materials that have been filed with the SEC are accessible through the Company's website at www.martinmarietta.com and are also available at the SEC's website at www.sec.gov. You may also write or call the Company's Corporate Secretary, who will provide copies of such reports.

Investors are cautioned that all statements in this Form 10-Q that relate to the future involve risks and uncertainties, and are based on assumptions that the Company believes in good faith are reasonable but which may be materially different from actual results. These statements, which are forward-looking statements under the Private Securities Litigation Reform Act of 1995, give the investor the Company's expectations or forecasts of future events. You can identify these statements by the fact that they do not relate only to historical or current facts. They may use words such

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(Continued)

as "anticipate," "expect," "should be," "believe," "will," and other words of similar meaning in connection with future events or future operating or financial performance. Any or all of management's forward-looking statements here and in other publications may turn out to be wrong.

The Company's outlook is subject to various risks and uncertainties, and is based on assumptions that the Company believes in good faith are reasonable but which may be materially different from actual results. Factors that the Company currently believes could cause actual results to differ materially from the forward-looking statements in this Form 10-Q (including the outlook) include, but are not limited to: include, the performance of the United States economy, including shipment declines resulting from economic events beyond the Company's control; widespread decline in aggregates pricing, including a decline in aggregates volume negatively affecting aggregates price; the history of both cement and ready mixed concrete being subject to significant changes in supply, demand and price fluctuations; the termination, capping and/or reduction or suspension of the federal and/or state gasoline tax(es) or other revenue related to infrastructure construction; the level and timing of federal, and state or local transportation funding, most particularly in Texas, North Carolina, Iowa, Colorado, Georgia and Maryland, including a significant change in the funding patterns for federal, state and/or local infrastructure projects or the United States Congress' inability to reach agreement among themselves or with the current Administration on policy issues that impact the federal budget; the ability of states and/or other entities to finance approved projects either with tax revenues or alternative financing structures; levels of construction spending in the markets the Company serves, volatility in the commencement of infrastructure projects and other funding pressures that impact profitability; a reduction in defense

spending, and the subsequent impact on construction activity on or near military bases; a decline in the commercial component of the nonresidential construction market, notably office and retail space; a slowdown decline in energy-related construction activity resulting from a sustained period of low global oil prices or changes in oil production patterns in response to this decline, particularly in Texas; a slowdown in residential construction recovery; unfavorable weather conditions, particularly Atlantic Ocean and Gulf Coast hurricane activity, the late start to spring or the early onset of winter and the impact of a drought or excessive rainfall in the markets served by the Company, any of which can significantly affect production schedules, volumes and profitability; the volatility of fuel costs, particularly diesel fuel, and the impact on the cost, or the availability generally, of other consumables, namely steel, explosives, tires and conveyor belts, and with respect to the Company's Magnesia Specialties business, natural gas; continued increases in the cost of other repair and supply parts; construction labor shortages and/or supply chain challenges; unexpected equipment failures, unscheduled maintenance, industrial accident or other prolonged and/or significant disruption to production facilities; increasing governmental regulation, including environmental laws; transportation availability or a sustained reduction in capital investment by the railroads, notably the availability of railcars, and locomotive power and the condition of rail infrastructure to move trains to supply the Company's Texas, Colorado, Florida, North Carolina and the Gulf Coast markets, including the movement of essential dolomitic lime for magnesia chemicals to the Company's plant in Manistee, Michigan and its customers; increased transportation costs, including increases from higher or fluctuating passed-through energy costs or fuel surcharges, and other costs to comply with tightening regulations, as well as higher volumes of rail and water shipments; availability of trucks and licensed drivers for transport of the Company's materials; availability and cost of construction equipment in the United States; weakening in the steel industry markets served by the Company's dolomitic lime products; a trade dispute with one or more nations impacting the U.S. economy, including the impact of tariffs on the steel industry; unplanned changes in costs or realignment of customers that introduce volatility to earnings, including that of the Magnesia Specialties business that is running at capacity; proper functioning of information technology and automated operating systems to manage or support operations; inflation and its effect on both production and interest costs; the concentration of customers in construction markets and the

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter March 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

First Quarter Ended March 31, 2018

(Continued)

increased risk of potential losses on customer receivables; the impact of the level of demand in the Company's end-use markets, production levels and management of production costs on the operating leverage and therefore profitability of the Company; the possibility that the expected synergies from acquisitions (including the acquisition of Bluegrass) will not be realized or will not be realized within the expected time period, including achieving anticipated profitability to maintain compliance with the Company's leverage ratio debt covenant; changes in tax laws, the interpretation of such laws and/or administrative practices that would increase the Company's tax rate; violation of the Company's debt covenant if price and/or volumes return to previous levels of instability; downward pressure on the Company's common stock price and its impact on goodwill impairment evaluations; reduction of the Company's credit rating to non-investment grade resulting from strategic acquisitions; and other risk factors listed from time to time found in the Company's filings with the SEC. Other factors besides those listed here may also adversely affect the Company, and may be material to the Company. The Company assumes no obligation to update any such forward-looking statements.

You should consider these forward-looking statements in light of risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2017, the Current Report on Form 8-K filed on March 16, 2018 and other periodic filings made with the SEC. All of the Company's forward-looking statements should be considered in light of these factors. In addition, other risks and uncertainties not presently known to the Company or that the Company considers immaterial could affect the accuracy of the Company's forward-looking statements.

INVESTOR ACCESS TO COMPANY FILINGS

Shareholders may obtain, without charge, a copy of Martin Marietta's Annual Report on Form 10-K, as filed with the

Securities and Exchange Commission for the fiscal year ended December 31, 2017, by writing to:

Martin Marietta

Attn: Corporate Secretary

2710 Wycliff Road

Raleigh, North Carolina 27607-3033

Additionally, Martin Marietta's Annual Report, press releases and filings with the Securities and Exchange Commission, including Forms 10-K, 10-Q, 8-K and 11-K, can generally be accessed via the Company's website. Filings with the Securities and Exchange Commission accessed via the website are available through a link with the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Accordingly, access to such filings is available upon EDGAR placing the related document in its database. Investor relations contact information is as follows:

Telephone: (919) 510-4776

Website address: www.martinmarietta.com

Information included on the Company's website is not incorporated into, or otherwise create a part of, this report.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's operations are highly dependent upon the interest rate-sensitive construction and steelmaking industries. Consequently, these marketplaces could experience lower levels of economic activity in an environment of rising interest rates or escalating costs.

Management has considered the current economic environment and its potential impact to the Company's business. Demand for aggregates products, particularly in the infrastructure construction market, is affected by federal and state budget and deficit issues. Further, delays or cancellations of capital projects in the nonresidential and residential construction markets could occur if companies and consumers are unable to obtain financing for construction projects or if consumer confidence continues to be eroded by economic uncertainty.

Demand in the residential construction market is affected by interest rates. The Federal Reserve raised the federal funds rate to 1.7% during the three-months ended March 31, 2018. The residential construction market accounted for 21% of the Company's aggregates product line shipments in 2017.

Aside from these inherent risks from within its operations, the Company's earnings are also affected by changes in short-term interest rates. However, rising interest rates are not necessarily predictive of weaker operating results. Historically, the Company's profitability increased during periods of rising interest rates. In essence, the Company's underlying business generally serves as a natural hedge to rising interest rates.

Variable-Rate Borrowing Facilities. At March 31, 2018, the Company had a \$700 million Credit Agreement and a \$300 million Trade Receivable Facility. The Company also has \$600 million variable-rate senior notes. Borrowings under these facilities bear interest at a variable interest rate. A hypothetical 100-basis-point increase in interest rates on borrowings of \$600.0 million, which was the collective outstanding balance at March 31, 2018, would increase interest expense by \$6.0 million on an annual basis.

Pension Expense. The Company's results of operations are affected by its pension expense. Assumptions that affect pension expense include the discount rate and, for the qualified defined benefit pension plan only, the expected long-term rate of return on assets. Therefore, the Company has interest rate risk associated with these factors. The impact of hypothetical changes in these assumptions on the Company's annual pension expense is discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Energy Costs . Energy costs, including diesel fuel, natural gas, coal and liquid asphalt, represent significant production costs of the Company. The cement operations and Magnesita Specialties business have fixed price agreements covering 100% of its 2018 coal requirements. Energy prices for the three-months ended March 31, 2018 increased 20% over the prior-year quarter. A hypothetical 20% change in the Company's energy prices for the full year 2018 as compared with 2017, assuming

constant volumes, would change full year 2018 energy expense by \$50.0 million.

Commodity Risk. Cement is a commodity and competition is based principally on price, which is highly sensitive to changes in supply and demand. Prices are often subject to material changes in response to relatively minor fluctuations in supply and demand, general economic conditions and other market conditions beyond the Company's control. Increases in the production capacity of industry participants or increases in cement imports tend to create an oversupply of such products leading to an imbalance between supply and demand, which can have a negative impact on product prices. There can be no assurance that prices for products sold will not decline in the future or that such declines will not have a material adverse effect on the Company's business, financial condition and results of operations. Assuming total revenues for cement for full-year 2018 of \$415 million to \$445 million, a hypothetical 10% change in sales price would impact net sales by \$41.5 million to \$44.5 million.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

(Continued)

Item 4. Controls and Procedures

As of March 31, 2018, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and the operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2018. There were no changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

PART II- OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to Part I . Item 3. Legal Proceedings of the Martin Marietta Annual Report on Form 10-K for the year ended December 31, 2017.

Item 1A. Risk Factors.

Reference is made to Part I. Item 1A. Risk Factors and Forward-Looking Statements of the Martin Marietta Annual Report on Form 10-K for the year ended December 31, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds .

ISSUER PURCHASES OF EQUITY SECURITIES

Total Number of Shares

Maximum Number of

Purchased as Part of

Shares that May Yet

Total Number of

Average Price

Publicly Announced

be Purchased Under

Period

Shares Purchased

Paid per Share

Plans or Programs

the Plans or Programs

January 1, 2018 - January 31, 2018

-

\$

-

-

14,668,891

February 1, 2018 - February 28, 2018

-

\$

-

-

14,668,891

March 1, 2018 - March 31, 2018

-

\$

-

-

14,668,891

Reference is made to the press release dated February 10, 2015 for the December 31, 2014 fourth-quarter and full-year results and announcement of the share repurchase program. The Company's Board of Directors authorized a maximum of 20 million shares to be repurchased under the program. The program does not have an expiration date.

Item 4. Mine Safety Disclosures.

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95 to this Quarterly Report on Form 10-Q.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended March 31, 2018

PART II- OTHER INFORMATION

(Continued)

Item 6. Exhibits.

Exhibit No.

Document

31.01

Certification dated May 8, 2018 of Chief Executive Officer pursuant to Securities and Exchange Act of 1934 rule 13a-14 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.02

Certification dated May 8, 2018 of Chief Financial Officer pursuant to Securities and Exchange Act of 1934 rule 13a-14 as

adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.01

Written Statement dated May 8, 2018 of Chief Executive Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.02

Written Statement dated May 8, 2018 of Chief Financial Officer required by 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Mine Safety Disclosures

101.INS

XBRL Instance Document

101.SCH

XBRL Taxonomy Extension Schema Document

101.CAL

XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB

XBRL Taxonomy Extension Label Linkbase Document

101.PRE

XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF

XBRL Taxonomy Extension Definition Linkbase

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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.

MARTIN MARIETTA MATERIALS, INC.

(Registrant)

Date: May 8, 2018

By:

/s/ James A. J. Nickolas

James A. J. Nickolas

Sr. Vice President and

Chief Financial Officer

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