

Northbridge Materials Corporation - Form 10-Q

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FORM TYPE	10-Q
FILED	2018-07-27
PERIOD	2018-06-30
ACCESSION NO.	0001564590-18-017737
FILER	Northbridge Materials Corporation (CIK 0000916076)

mlm-10q_20180630.htm

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 June 30, 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 July 23, 2018

Common Stock, \$0.01 par value

63,011,972

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

(UNAUDITED) CONSOLIDATED BALANCE SHEETS

June 30,

December 31,

June 30,

2018

2017

2017

(Dollars in Thousands)

ASSETS

Current Assets:

Cash and cash equivalents

\$

33,779

\$

1,446,364

\$

36,722

Accounts receivable, net

675,570

487,240

570,618

Inventories, net

650,917

600,591

549,865

Other current assets

96,887

96,965

87,092

Total Current Assets

1,457,153

2,631,160

1,244,297

Property, plant and equipment

8,118,705

6,498,067

6,306,083

Allowances for depreciation, depletion and amortization

(3,005,279

)

(2,905,254

)

(2,800,823

)

Net property, plant and equipment

5,113,426

3,592,813

3,505,260

Goodwill

2,401,505

2,160,290

2,160,060

Operating permits, net

435,761

439,116

437,713

Other intangibles, net

78,925

67,233

65,526

Other noncurrent assets

109,982

101,899

103,004

Total Assets

\$

9,596,752

\$

8,992,511

\$

7,515,860

LIABILITIES AND EQUITY

Current Liabilities:

Bank overdraft

\$

-

\$

-

\$

3,794

Accounts payable

188,761

183,638

187,227

Accrued salaries, benefits and payroll taxes

38,870

44,255

36,202

Pension and postretirement benefits

13,089

13,652

8,802

Accrued insurance and other taxes

61,615

64,958

59,958

Current maturities of long-term debt and short-term

facilities

320,046

299,909

140,037

Accrued interest

15,696

19,825

18,746

Other current liabilities

71,056

67,979
79,559
Total Current Liabilities
709,133
694,216
534,325
Long-term debt
2,898,876
2,727,294
1,641,944
Pension, postretirement and postemployment benefits
249,967
244,043
253,908
Deferred income taxes, net
644,469
410,723
663,414
Other noncurrent liabilities
238,837
233,758
221,738
Total Liabilities
4,741,282
4,310,034
3,315,329
Equity:
Common stock, par value \$ 0.01 per share
629
628
627
Preferred stock, par value \$ 0.01 per share
-
-
-
Additional paid-in capital
3,389,028
3,368,007
3,355,992
Accumulated other comprehensive loss
(125,883

)
 (129,104
)
 (125,906
)
 Retained earnings
 1,579,674
 1,440,069
 967,058
 Total Shareholders' Equity
 4,843,448
 4,679,600
 4,197,771
 Noncontrolling interests
 12,022
 2,877
 2,760
 Total Equity
 4,855,470
 4,682,477
 4,200,531
 Total Liabilities and Equity
 \$
 9,596,752
 \$
 8,992,511
 \$
 7,515,860

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

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(In Thousands, Except Per Share Data)

Products and services revenues

\$

1,128,777

\$

996,843

\$

1,882,082

\$

1,789,159

Freight revenues

73,626

66,681

122,325

118,224

Total Revenues

1,202,403

1,063,524

2,004,407

1,907,383

Cost of revenues - products and services

812,430

722,195

1,454,049

1,366,813

Cost of revenues - freight

74,056

67,235

124,049

119,410

Total Cost of Revenues

886,486

789,430

1,578,098

1,486,223

Gross Profit

315,917

274,094

426,309

421,160

Selling, general & administrative expenses

71,070

68,373	
141,191	
137,908	
Acquisition-related expenses, net	
12,126	
1,982	
12,836	
2,004	
Other operating income, net	
(31,232	
)	
(9,113	
)	
(30,752	
)	
(8,754	
)	
Earnings from Operations	
263,953	
212,852	
303,034	
290,002	
Interest expense	
32,971	
24,045	
68,059	
44,896	
Other nonoperating income, net	
(7,122	
)	
(5,420	
)	
(15,626	
)	
(5,956	
)	
Earnings before income tax expense	
238,104	
194,227	
250,601	
251,062	

Income tax expense

52,601

51,986

55,058

66,514

Consolidated net earnings

185,503

142,241

195,543

184,548

Less: Net earnings (loss) attributable to noncontrolling
interests

126

(38

)

143

(65

)

Net Earnings Attributable to Martin Marietta Materials, Inc.

\$

185,377

\$

142,279

\$

195,400

\$

184,613

Consolidated Comprehensive Earnings: (See Note 1)

Earnings attributable to Martin Marietta Materials, Inc.

\$

186,979

\$

144,798

\$

198,621

\$

189,394

Earnings (Loss) attributable to noncontrolling interests

126

(37

)

144
(63
)
\$
187,105
\$
144,761
\$
198,765
\$
189,331

Net Earnings Attributable to Martin Marietta Materials, Inc.

Per Common Share:

Basic attributable to common shareholders

\$
2.94
\$
2.26
\$
3.10
\$
2.92

Diluted attributable to common shareholders

\$
2.92
\$
2.25
\$
3.08
\$
2.91

Weighted-Average Common Shares Outstanding:

Basic

63,021
62,858
62,989
62,961

Diluted

63,285
63,141
63,253

63,246

Cash Dividends Per Common Share

\$

0.44

\$

0.42

\$

0.88

\$

0.84

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

Six-Months Ended

June 30,

2018

2017

(Dollars in Thousands)

Cash Flows from Operating Activities:

Consolidated net earnings

\$

195,543

\$

184,548

Adjustments to reconcile consolidated net earnings to net cash

provided by operating activities:

Depreciation, depletion and amortization

163,545

146,102

Stock-based compensation expense

17,098

17,727

Gain on divestitures and sales of assets

(33,527

)

(17,514

)

Deferred income taxes

14,986

2,464

Other items, net
 (4,757
)
 (4,669
)
 Changes in operating assets and liabilities, net of effects of acquisitions
 and divestitures:
 Accounts receivable, net
 (157,603
)
 (112,708
)
 Inventories, net
 (7,133
)
 (28,240
)
 Accounts payable
 44,266
 11,663
 Other assets and liabilities, net
 5,615
 29,950
 Net Cash Provided by Operating Activities
 238,033
 229,323
 Cash Flows from Investing Activities:
 Additions to property, plant and equipment
 (188,270
)
 (216,089
)
 Acquisitions, net
 (1,645,698
)
 (2,200
)
 Proceeds from divestitures and sales of assets
 58,213
 32,089
 Payment of railcar construction advances

(28,306
)
 (40,930
)
 Reimbursement of railcar construction advances
 28,306
 40,930
 Investments in life insurance contracts, net
 424
 276
 Net Cash Used for Investing Activities
 (1,775,331
)
 (185,924
)
 Cash Flows from Financing Activities:
 Borrowings of debt
 665,000
 941,244
 Repayments of debt
 (475,025
)
 (845,023
)
 Payments of deferred acquisition consideration
 (1,426
)
 -
 Payments on capital lease obligations
 (1,725
)
 (1,752
)
 Debt issuance costs
 (3,194
)
 (1,055
)
 Change in bank overdraft
 -
 3,795

Contributions by owners of noncontrolling interest

-

211

Dividends paid

(55,795

)

(53,135

)

Proceeds from exercise of stock options

6,943

7,937

Shares withheld for employees' income tax obligations

(10,065

)

(8,938

)

Repurchases of common stock

-

(99,999

)

Net Cash Provided by (Used for) Financing Activities

124,713

(56,715

)

Net Decrease in Cash and Cash Equivalents

(1,412,585

)

(13,316

)

Cash and Cash Equivalents, beginning of period

1,446,364

50,038

Cash and Cash Equivalents, end of period

\$

33,779

\$

36,722

See accompanying notes to the consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

(UNAUDITED) CONSOLIDATED STATEMENTS 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

-

-

-

-

184,613

184,613

(65

)

184,548

Other comprehensive earnings,

net of tax

-

-

-

4,781

-

4,781

2

4,783

Dividends declared

-

-

-

-

(53,135

)

(53,135

)

-

(53,135

)

Issuances of common stock for stock

award plans

122

2

12,742

-

-

12,744

-

12,744

Shares withheld for employees' income

tax obligations

-

-

(8,938

)

-

-

(8,938

)

-

(8,938

)

Repurchases of common stock

(458

)

(5

)

-

-

(99,994

)

(99,999

)

-

(99,999

)

Stock-based compensation expense

-

-

17,727

-

-

17,727

-

17,727

Contributions by owners of
noncontrolling interest

-

-

-

-

-

-

211

211

Balance at June 30, 2017

62,840

\$

627

\$

3,355,992

\$

(125,906

)

\$
 967,058
 \$
 4,197,771
 \$
 2,760
 \$
 4,200,531
 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
 -
 -
 -
 -
 195,400
 195,400
 143
 195,543
 Other comprehensive earnings,
 net of tax
 -
 -
 -
 3,221
 -

3,221

1

3,222

Dividends declared

-

-

-

-

(55,795

)

(55,795

)

-

(55,795

)

Issuances of common stock for stock
award plans

139

1

13,988

-

-

13,989

-

13,989

Shares withheld for employees' income
tax obligations

-

-

(10,065

)

-

-

(10,065

)

-

(10,065

)

Stock-based compensation expense

-

-

17,098

-

-

17,098

-

17,098

Noncontrolling interest acquired in
business combination

-

-

-

-

-

-

9,001

9,001

Balance at June 30, 2018

63,012

\$

629

\$

3,389,028

\$

(125,883

)

\$

1,579,674

\$

4,843,448

\$

12,022

\$

4,855,470

See accompanying notes to the consolidated financial statements.

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

For the Quarter Ended June 30, 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 more than 300 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, Pennsylvania, 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.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 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 accounting principles generally accepted in the United States (U.S. 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- and six-months ended June 30, 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 U.S. 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 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. The adoption had an immaterial impact on the Company's statement of cash flows.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 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 has developed an implementation plan and is currently gathering data to further assess the impact of the ASU on its financial statements. The adoption is anticipated to have a material impact on assets and liabilities due to the recognition of lease rights and obligations on its balance sheet effective January 1, 2019.

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

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(Dollars in Thousands)

Net earnings attributable to Martin Marietta Materials, Inc.

\$

185,377

\$

142,279

\$

195,400

\$

184,613

Other comprehensive earnings, net of tax

1,602

2,519

3,221

4,781

Comprehensive earnings attributable to Martin Marietta

Materials, Inc.

\$

186,979

\$

144,798

\$

198,621

\$

189,394

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

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(Dollars in Thousands)

Net earnings (loss) attributable to noncontrolling interests

\$

126

\$

(38

)

\$

143

\$

(65

)

Other comprehensive earnings, net of tax

-

1

1

2

Comprehensive earnings (loss) attributable to
noncontrolling interests

\$

126

\$

(37

)

\$

144

\$

(63

)

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 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 June 30, 2018
 Balance at beginning of period
 \$
 (126,806
)
 \$
 (609
)
 \$
 (70
)
 \$
 (127,485
)
 Other comprehensive loss before
 reclassifications, net of tax
 -
 (476
)
 -
 (476
)
 Amounts reclassified from accumulated
 other comprehensive earnings, net of tax
 2,008
 -
 70
 2,078
 Other comprehensive earnings (loss), net of tax

2,008

(476

)

70

1,602

Balance at end of period

\$

(124,798

)

\$

(1,085

)

\$

-

\$

(125,883

)

Three-Months Ended June 30, 2017

Balance at beginning of period

\$

(126,463

)

\$

(1,025

)

\$

(937

)

\$

(128,425

)

Other comprehensive earnings before
reclassifications, net of tax

-

389

-

389

Amounts reclassified from accumulated
other comprehensive earnings, net of tax

1,910

-

220
 2,130
 Other comprehensive earnings, net of tax
 1,910
 389
 220
 2,519
 Balance at end of period
 \$
 (124,553
)
 \$
 (636
)
 \$
 (717
)
 \$
 (125,906
)

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

1.

Significant Accounting Policies (continued)

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

(Dollars in Thousands)

Unamortized

Value of

Terminated

Accumulated

Pension and

Forward Starting

Other

Postretirement

Foreign

Interest Rate

Comprehensive

Benefit Plans

Currency

Swap

Loss

Six-Months Ended June 30, 2018

Balance at beginning of period

\$

(128,802

)

\$

(22

)

\$

(280

)

\$

(129,104

)

Other comprehensive loss before
reclassifications, net of tax

-

(1,063

)

-

(1,063

)

Amounts reclassified from accumulated
other comprehensive earnings, net of tax

4,004

-

280

4,284

Other comprehensive earnings (loss), net of tax

4,004

(1,063

)

280

3,221

Balance at end of period

\$

(124,798

)
 \$
 (1,085
)
 \$
 -
 \$
 (125,883
)
 Six-Months Ended June 30, 2017
 Balance at beginning of period
 \$
 (128,373
)
 \$
 (1,162
)
 \$
 (1,152
)
 \$
 (130,687
)
 Other comprehensive earnings before
 reclassifications, net of tax
 -
 526
 -
 526
 Amounts reclassified from accumulated
 other comprehensive earnings, net of tax
 3,820
 -
 435
 4,255
 Other comprehensive earnings, net of tax
 3,820
 526
 435
 4,781
 Balance at end of period

\$
 (124,553
)
 \$
 (636
)
 \$
 (717
)
 \$
 (125,906
)

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 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 June 30, 2018

Balance at beginning of period

\$

79,280

\$

41

\$
79,321
Tax effect of other comprehensive earnings
(661
)
(41
)
(702
)

Balance at end of period

\$
78,619

\$
-

\$
78,619

Three-Months Ended June 30, 2017

Balance at beginning of period

\$
80,859

\$
608

\$
81,467

Tax effect of other comprehensive earnings
(1,184
)
(144
)
(1,328
)

Balance at end of period

\$
79,675

\$
464

\$
80,139

Six-Months Ended June 30, 2018

Balance at beginning of period

\$

79,938

\$

178

\$

80,116

Tax effect of other comprehensive earnings

(1,319

)

(178

)

(1,497

)

Balance at end of period

\$

78,619

\$

-

\$

78,619

Six-Months Ended June 30, 2017

Balance at beginning of period

\$

82,044

\$

749

\$

82,793

Tax effect of other comprehensive earnings

(2,369

)

(285

)

(2,654

)

Balance at end of period

\$

79,675

\$

464

\$

80,139

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 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

Six-Months Ended

Affected line items in the consolidated

June 30,

June 30,

statements of earnings and

2018

2017

2018

2017

comprehensive earnings

(Dollars in Thousands)

Pension and postretirement benefit plans

Amortization of:

Prior service credit

\$

(400

)

\$

(358

)

(985

)

(716

)

Actuarial loss

3,069

3,452

6,308

6,905

2,669

3,094
 5,323
 6,189
 Other nonoperating income, net
 Tax benefit
 (661
)
 (1,184
)
 (1,319
)
 (2,369
)
 Income tax expense
 \$
 2,008
 \$
 1,910
 \$
 4,004
 \$
 3,820
 Unamortized value of terminated
 forward starting interest rate swap
 Additional interest expense
 \$
 111
 \$
 364
 \$
 458
 \$
 720
 Interest expense
 Tax benefit
 (41
)
 (144
)
 (178
)

(285

)

Income tax expense

\$

70

\$

220

\$

280

\$

435

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- and six-months ended June 30, 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 June 30, 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

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(In Thousands)

Net earnings attributable to Martin Marietta Materials, Inc.

\$

185,377

\$

142,279

\$

195,400

\$

184,613

Less: Distributed and undistributed earnings
attributable to unvested awards

317

413

378

553

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

\$

185,060

\$

141,866

\$

195,022

\$

184,060

Basic weighted-average common shares outstanding

63,021

62,858

62,989

62,961

Effect of dilutive employee and director awards

264

283

264

285

Diluted weighted-average common shares outstanding

63,285

63,141

63,253

63,246

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- and six-months ended June 30, 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.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.

Revenue Recognition (continued)

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.

Future revenues from unsatisfied performance obligations at June 30, 2018 and 2017 were \$ 128,953,000 and \$ 147,698,000 , respectively, where the remaining periods to complete these obligations ranged from one month to 13 months and one month to 22 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

June 30, 2018

(Dollars in Thousands)

Products and Services

Freight

Total

Mid-America Group

\$

325,578

\$

25,014

\$

350,592

Southeast Group

109,082

3,881

112,963

West Group

625,960

39,926

665,886

Total Building Materials Business

1,060,620

68,821

1,129,441

Magnesia Specialties

68,157

4,805

72,962

Total

\$

1,128,777

\$

73,626

\$

1,202,403

Three-Months Ended

June 30, 2017

(Dollars in Thousands)

Products and Services

Freight

Total

Mid-America Group

\$

269,914

\$

20,984

\$

290,898

Southeast Group

88,538

3,810

92,348

West Group

572,663

37,586

610,249

Total Building Materials Business

931,115

62,380

993,495

Magnesia Specialties

65,728

4,301

70,029

Total

\$

996,843

\$

66,681

\$

1,063,524

Service revenues, which include paving operations located in Colorado, were \$ 69,569,000 and \$ 69,051,000 for the three-months ended June 30, 2018 and 2017, respectively.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.

Revenue Recognition (continued)

Six-Months Ended

June 30, 2018

(Dollars in Thousands)

Products and Services

Freight

Total

Mid-America Group

\$

493,468

\$

35,905

\$

529,373

Southeast Group

186,646
6,556
193,202
West Group
1,068,943
70,665
1,139,608
Total Building Materials Business
1,749,057
113,126
1,862,183
Magnesia Specialties
133,025
9,199
142,224
Total
\$
1,882,082
\$
122,325
\$
2,004,407
Six-Months Ended
June 30, 2017
(Dollars in Thousands)
Products and Services
Freight
Total
Mid-America Group
\$
447,321
\$
32,597
\$
479,918
Southeast Group
175,264
7,366
182,630
West Group
1,036,545

69,685
 1,106,230
 Total Building Materials Business
 1,659,130
 109,648
 1,768,778
 Magnesia Specialties
 130,029
 8,576
 138,605
 Total
 \$
 1,789,159
 \$
 118,224
 \$
 1,907,383

Service revenues, which include paving operations located in Colorado, were \$ 80,712,000 and \$ 85,051,000 for the six-months ended June 30, 2018 and 2017, respectively.

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)

June 30, 2018

December 31, 2017

June 30, 2017

Costs in excess of billings

\$

6,581

\$

1,310

\$

10,990

Billings in excess of costs

\$

7,843

\$

7,204

\$

5,194

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2.

Revenue Recognition (continued)

Revenues recognized from the beginning balance of contract liabilities for the three-months ended June 30, 2018 and 2017 were \$ 4,066,000 and \$ 3,683,000 , respectively, and for the six-months ended June 30, 2018 and 2017 were \$ 6,162,000 and \$ 7,465,000 , respectively.

Retainage, which primarily relates to the paving services, 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 \$ 6,578,000 , \$ 9,029,000 and \$ 4,150,000 at June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

Warranties. The Company's construction contracts generally 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- and six-months ended June 30, 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, as required by the accounting standard, the related revenues and costs are presented gross and are included in the consolidated statements of earnings.

3.

Business Combination

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 approximately \$ 1,623,000,000 in cash, subject to a working capital adjustment. Bluegrass' operations include 23 active sites with more than 125 years of reserves, collectively, in Georgia, South Carolina, Tennessee, Maryland, Kentucky and Pennsylvania. These operations complement the Company's existing southeastern footprint in its Mid-America and Southeast Groups and provide a new growth platform within Maryland and Kentucky. The Company reached an agreement with the U.S. Department of Justice (DOJ), approved by the federal district court for the District of Columbia, which resolved all competition issues with respect to the acquisition. Under the terms of the agreement with the DOJ, Martin Marietta divested its heritage Forsyth aggregates quarry north of Atlanta, Georgia, and the legacy Bluegrass Beaver Creek aggregates quarry in western Maryland. In connection with the sale of its Forsyth quarry, the Company recognized a pretax gain of \$ 14,785,000 , which is included in acquisition-related expenses, net, in the consolidated statements of earnings and comprehensive earnings. There was no gain or loss on the Beaver Creek divestiture.

The Bluegrass acquisition was a stock transaction wherein the Company acquired 100 % of the voting interest of the owners. The Company acquired accounts receivable; inventories; property, plant and equipment, which primarily consists of mineral reserves; intangible assets; prepaid and other assets; and assumed accounts payable; accrued liabilities and deferred tax liabilities, net. The Company did not assume any of Bluegrass' outstanding debt.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3.

Business Combination (continued)

The Company has determined preliminary fair values of the assets acquired and liabilities assumed. Although initial accounting for the business combination has been recorded, these amounts are subject to change during the measurement period which extends no longer than one year from consummation date based on additional reviews, such as asset verification and completion of deferred tax estimates based on the determination of the historic tax basis in assets acquired. Specific accounts subject to ongoing purchase accounting adjustments include, but are not limited to, inventory; property, plant and equipment; other assets; goodwill; accounts payable and accrued expenses; and deferred income tax liabilities. Therefore, the measurement period remains open as of June 30, 2018. The following is a summary of the estimated fair values of the assets acquired and the liabilities assumed (dollars in thousands).

Assets:

Cash

\$

1,159

Receivables

30,711

Inventory

46,785

Other current assets

1,043

Property, plant and equipment

1,525,655

Intangible assets, other than goodwill

19,125

Goodwill

242,142

Total assets

1,866,620

Liabilities:

Accounts payable and accrued expenses

18,033

Deferred income tax liabilities, net

217,229

Noncontrolling interest

9,001

Total liabilities

244,263

Total consideration

\$

1,622,357

Goodwill represents the excess purchase price over the fair values of assets acquired and liabilities assumed and reflects projected operating synergies from the transaction, including expected overhead savings. It has not yet been determined if

any of the goodwill generated by the transaction will be deductible for income tax purposes.

Total revenues and earnings from operations attributable to acquired operations included in the consolidated earnings statements for the three- and six-months ended June 30, 2018 were \$ 46,351,000 and \$ 6,745,000 , respectively.

Acquisition-related expenses were \$ 26,911,000 and \$ 27,621,000 for the three- and six-months ended June 30, 2018, respectively.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3.

Business Combination (continued)

Unaudited Pro Forma Financial Information

The unaudited pro forma financial information in the table below summarizes the combined results of operations for the Company and Bluegrass as though the companies were combined as of January 1, 2017. Financial information for periods prior to the April 27, 2018 acquisition date included in the pro forma earnings does not reflect any cost savings or associated costs to achieve such savings from operating efficiencies or synergies that result from the combination. Consistent with the assumed acquisition date of January 1, 2017, the pro forma financial results for the six-months ended June 30, 2017 include acquisition-related expenses of \$ 26,100,000 , the \$ 14,785,000 gain on the required divestiture of assets and the one-time \$ 19,893,000 increase in cost of sales for the sale of acquired inventory.

The pro forma financial statements do not purport to project the future financial position or operating results of the combined company. The pro forma financial information as presented below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal year 2017.

Three-Months Ended

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(Dollars in Thousands, except per share data)

Total revenues

\$

1,218,904

\$

1,121,258

\$

2,059,816

\$

2,005,775

Net earnings attributable to Martin Marietta

\$

207,886

\$

140,338

\$

216,756

\$

150,011

Diluted EPS

\$

3.28

\$

2.22

\$

3.43

\$

2.37

4.

Goodwill and Other Intangibles

Mid-America

Southeast

West

Group

Group

Group

Total

(Dollars in Thousands)

Balance at January 1, 2018

\$

281,403

\$

50,346

\$

1,828,541

\$

2,160,290

Acquisitions

148,326

93,816

-

242,142

Divestitures

-
(927
)
-
(927
)
Balance at June 30, 2018

\$
429,729
\$
143,235
\$
1,828,541
\$
2,401,505

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4.

Goodwill and Other Intangibles (continued)

Intangible assets subject to amortization consist of the following:

Gross

Amount

Accumulated

Amortization

Net

Balance

(Dollars in Thousands)

June 30, 2018

Noncompetition agreements

\$

6,274

\$

(6,162

)

\$

112

Customer relationships

65,348
 (19,480
)
 45,868
 Operating permits
 458,952
 (29,790
)
 429,162
 Use rights and other
 16,496
 (10,763
)
 5,733
 Trade names
 12,800
 (9,076
)
 3,724
 Total
 \$
 559,870
 \$
 (75,271
)
 \$
 484,599

Intangible assets deemed to have an indefinite life and not being amortized consist of the following:

Building Materials Business

Magnesia Specialties

Total

(Dollars in Thousands)

June 30, 2018

Operating permits

\$
 6,600
 \$
 -
 \$
 6,600

Use rights

20,642

-

20,642

Trade names

280

2,565

2,845

Total

\$

27,522

\$

2,565

\$

30,087

Intangibles acquired during the year are as follows:

(Dollars in Thousands)

Amount

Weighted-average

amortization period

Subject to amortization:

Customer relationships

\$

20,620

12 years

Not subject to amortization:

Water rights

1,100

N/A

Total

\$

21,720

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4.

Goodwill and Other Intangibles (continued)

Total amortization expense for intangible assets for the six-months ended June 30, 2018 and 2017 was \$ 7,108,000 and \$ 7,167,000 , respectively.

The estimated amortization expense for intangible assets for the second half of 2018 and for each of the next four years and

thereafter is as follows:

(Dollars in Thousands)

July - December 2018

\$

6,961

2019

13,724

2020

13,689

2021

12,998

2022

11,490

Thereafter

425,737

Total

\$

484,599

5.

Inventories, Net

June 30,

December 31,

June 30,

2018

2017

2017

(Dollars in Thousands)

Finished products

\$

612,161

\$

552,999

\$

508,144

Products in process and raw materials

62,480

62,761

59,410

Supplies and expendable parts

134,259

128,792

120,594
 808,900
 744,552
 688,148
 Less: Allowances
 (157,983
)
 (143,961
)
 (138,283
)
 Total
 \$
 650,917
 \$
 600,591
 \$
 549,865

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6.

Long-Term Debt

June 30,

December 31,

June 30,

2018

2017

2017

(Dollars in Thousands)

6.60 % Senior Notes, due 2018

\$

-

\$

299,871

\$

299,676

7 % Debentures, due 2025

124,225
 124,180
 124,134
 6.25 % Senior Notes, due 2037
 228,063
 228,033
 228,003
 4.25 % Senior Notes, due 2024
 396,104
 395,814
 395,532
 4.250 % Senior Notes, due 2047
 591,457
 591,688
 -
 3.500 % Senior Notes, due 2027
 494,522
 494,352
 -
 3.450 % Senior Notes, due 2027
 296,783
 296,628
 296,456
 Floating Rate Senior Notes, due 2019 , interest rate of 2.82 %
 and 2.13 % at June 30, 2018 and December 31, 2017,
 respectively
 298,889
 298,102
 -
 Floating Rate Notes, due 2020 , interest rate of 2.98 %, 2.10 % and
 1.82 % at June 30, 2018, December 31, 2017 and June 30, 2017,
 respectively
 298,590
 298,227
 297,847
 Revolving Facility, due 2022 , interest rate of 3.19 % at June 30, 2018
 170,000
 -
 -
 Trade Receivable Facility, interest rate of 2.71 % and 1.78 % at
 June 30, 2018 and 2017, respectively

320,000

-

140,000

Other notes

289

308

333

Total debt

3,218,922

3,027,203

1,781,981

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

(320,046

)

(299,909

)

(140,037

)

Long-term debt

\$

2,898,876

\$

2,727,294

\$

1,641,944

On April 17, 2018, the Company, through a wholly-owned special-purpose subsidiary, increased its trade receivable securitization facility (the Trade Receivable Facility) to \$ 400,000,000 . 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 \$ 490,362,000 , \$ 338,784,000 and \$ 422,624,000 at June 30, 2018, December 31, 2017 and June 30, 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, which is scheduled to mature September 26, 2018 , contains a cross-default provision to the Company's other debt agreements.

On April 16, 2018 , the maturity date, the Company repaid the \$ 300,000,000 of the 6.6 % Senior Notes with cash on hand.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6.

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 3.50 x 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 3.75 x. 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 June 30, 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 June 30, 2018 and December 31, 2017 and \$ 2,507,000 at June 30, 2017.

Accumulated other comprehensive loss includes the unamortized value of terminated forward starting interest rate swap agreements. For the three- and six-months ended June 30, 2018, the Company recognized \$ 111,000 and \$ 458,000 , respectively, as additional interest expense. For the three- and six-months ended June 30, 2017, the Company recognized \$ 364,000 and \$ 720,000 , respectively, as additional interest expense. The amortization of the terminated value of the forward starting interest rate swap agreements was complete with the maturity of the related debt in April 2018.

7 .

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 June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7.

Financial Instruments (continued)

The carrying values and fair values of the Company's long-term debt were \$ 3,218,922,000 and \$ 3,154,635,000 , respectively, at June 30, 2018; \$ 3,027,203,000 and \$ 3,144,902,000 , respectively, at December 31, 2017; and \$ 1,781,981,000 and \$ 1,885,231,000 , respectively, at June 30, 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.

8.

Income Taxes

The Company's effective income tax rate for the six-months ended June 30, 2018 was 22.0 %. The effective income tax rate reflects the effect of federal and state income taxes on earnings and the impact of differences in book and tax accounting arising from the net permanent tax benefits associated with the statutory depletion deduction for mineral reserves. For the six-months ended June 30, 2018, the effective income tax rate also reflects three discrete events: a favorable impact of \$ 2,760,000 , or 100 basis points, related to the vesting and exercise of stock-based compensation awards, an unfavorable impact of \$ 1,664,000 , or 60 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) and an unfavorable impact of \$ 2,369,000 , or 90 basis points, for nondeductible portion of transaction costs. 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 26.5 % for the six-months ended June 30, 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 June 30, 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 June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9.

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 June 30,

Pension

Postretirement Benefits

2018

2017

2018

2017

(Dollars in Thousands)

Service cost

\$

7,684

\$

6,548

\$

16

\$

22

Interest cost

8,252

8,673

134

198

Expected return on assets

(12,403

)

(10,071

)

-

-

Amortization of:

Prior service cost (credit)

26

113

(426

)

(471

)

Actuarial loss (gain)

3,117

3,551

(48

)

(99

)

Net periodic benefit cost (credit)

\$

6,676

\$

8,814

\$

(324

)

\$

(350

)

Six-Months Ended June 30,

Pension

Postretirement Benefits

2018

2017

2018

2017

(Dollars in Thousands)

Service cost

\$

15,832

\$

13,402

\$

38

\$

40

Interest cost

16,613

18,030

259

365

Expected return on assets

(23,032

)

(20,613

)

-

-

Amortization of:

Prior service cost (credit)

52

155

(1,037

)
 (871
)
 Actuarial loss (gain)
 6,413
 7,087
 (105
)
 (182
)
 Net periodic benefit cost (credit)
 \$
 15,878
 \$
 18,061
 \$
 (845
)
 \$
 (648
)

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.

In July 2018, the Company made a \$ 75,000,000 contribution to its qualified pension plan. For the full year 2018, the Company currently estimates that it will contribute \$ 162,400,000 to its pension plans, of which \$ 150,000,000 will be to the qualified pension plan and \$ 12,400,000 will be to make required payments under the unfunded pension plans.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10.

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 June 30, 2018, December 31, 2017 and June 30, 2017. The interest rate is one-month LIBOR plus 1.75 %.

11.

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, net; 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, net; 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. The acquired Bluegrass operations are located in the Mid-America Group and Southeast Group. 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.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11.

Business Segments (continued)

Three-Months Ended

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(Dollars in Thousands)

Total revenues :

Mid-America Group

\$

350,592

\$

290,898

\$
529,373
\$
479,918
Southeast Group
112,963
92,348
193,202
182,630
West Group
665,886
610,249
1,139,608
1,106,230
Total Building Materials Business
1,129,441
993,495
1,862,183
1,768,778
Magnesia Specialties
72,962
70,029
142,224
138,605
Total
\$
1,202,403
\$
1,063,524
\$
2,004,407
\$
1,907,383
Products and services revenues:
Mid-America Group
\$
325,578
\$
269,914
\$
493,468

\$	
447,321	
Southeast Group	
109,082	
88,538	
186,646	
175,264	
West Group	
625,960	
572,663	
1,068,943	
1,036,545	
Total Building Materials Business	
1,060,620	
931,115	
1,749,057	
1,659,130	
Magnesia Specialties	
68,157	
65,728	
133,025	
130,029	
Total	
\$	
1,128,777	
\$	
996,843	
\$	
1,882,082	
\$	
1,789,159	
Earnings (Loss) from operations :	
Mid-America Group	
\$	
108,709	
\$	
85,363	
\$	
114,876	
\$	
98,705	

Southeast Group

32,052

14,334

34,093

24,449

West Group

122,844

112,491

157,796

173,724

Total Building Materials Business

263,605

212,188

306,765

296,878

Magnesia Specialties

21,329

21,118

42,565

40,999

Corporate

(20,981

)

(20,454

)

(46,296

)

(47,875

)

Total

\$

263,953

\$

212,852

\$

303,034

\$

290,002

June 30,

December 31,

June 30,

2018

2017

2017

Assets employed:

(Dollars in thousands)

Mid-America Group

\$

2,810,643

\$

1,532,867

\$

1,509,329

Southeast Group

1,297,674

616,344

598,365

West Group

5,079,624

5,014,231

5,029,868

Total Building Materials Business

9,187,941

7,163,442

7,137,562

Magnesia Specialties

151,182

152,257

146,925

Corporate

257,629

1,676,812

231,373

Total

\$

9,596,752

\$

8,992,511

\$

7,515,860

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12.

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

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(Dollars in Thousands)

Total revenues:

Building Materials Business:

Products and services:

Aggregates

\$

665,308

\$

577,913

\$

1,090,324

\$

1,028,968

Cement

113,148

98,937

202,331

192,491

Ready mixed concrete

277,202

241,871

495,738

464,249

Asphalt and paving services

83,140

82,943
 99,507
 104,680
 Less: interproduct revenues
 (78,178
)
 (70,549
)
 (138,843
)
 (131,258
)
 Products and services
 1,060,620
 931,115
 1,749,057
 1,659,130
 Freight
 68,821
 62,380
 113,126
 109,648
 Total Building Materials Business
 1,129,441
 993,495
 1,862,183
 1,768,778
 Magnesia Specialties:
 Products and services
 68,157
 65,728
 133,025
 130,029
 Freight
 4,805
 4,301
 9,199
 8,576
 Total Magnesia Specialties
 72,962
 70,029

142,224

138,605

Total

\$

1,202,403

\$

1,063,524

\$

2,004,407

\$

1,907,383

Gross profit (loss) :

Building Materials Business:

Products and services:

Aggregates

\$

198,540

\$

173,012

\$

251,542

\$

251,967

Cement

41,305

29,369

65,038

60,148

Ready mixed concrete

29,952

26,840

45,593

46,630

Asphalt and paving services

18,512

20,314

10,873

15,573

Products and services

288,309

249,535

373,046
374,318
Freight
598
621
480
1,028
Total Building Materials Business
288,907
250,156
373,526
375,346
Magnesia Specialties:
Products and services
24,870
24,798
49,933
48,153
Freight
(1,028
)
(1,174
)
(2,203
)
(2,214
)
Total Magnesia Specialties
23,842
23,624
47,730
45,939
Corporate
3,168
314
5,053
(125
)
Total
\$
315,917

\$

274,094

\$

426,309

\$

421,160

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13.

Supplemental Cash Flow Information

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

Six-Months Ended

June 30,

2018

2017

(Dollars in Thousands)

Other current and noncurrent assets

\$

(18,777

)

\$

(32,332

)

Accrued salaries, benefits and payroll taxes

1,661

(7,892

)

Accrued insurance and other taxes

(3,344

)

(134

)

Accrued income taxes

39,122

28,047

Accrued pension, postretirement and postemployment benefits

10,685

11,521

Other current and noncurrent liabilities

(23,732

)

30,740

\$

5,615

\$

29,950

Noncash investing and financing activities are as follows:

Six-Months Ended

June 30,

2018

2017

(Dollars in Thousands)

Noncash investing and financing activities:

Accrued liabilities for purchases of property, plant and equipment

\$

20,771

\$

34,714

Acquisition of assets through capital lease

\$

449

\$

149

Supplemental disclosures of cash flow information are as follows:

Six-Months Ended

June 30,

2018

2017

(Dollars in Thousands)

Cash paid for interest

\$

67,399

\$

38,111

Cash (refund of) paid for income taxes

\$

(2,244

)

\$

33,264

14.

Other operating income, net

Other operating income, net, for the quarter ended June 30, 2018 includes a net gain on legal settlements of \$ 7,677,000 and a gain on the sale of surplus land of \$ 16,938,000 .

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 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 more than 300 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, Pennsylvania, 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 Rail

Truck, Rail and Water

Truck and Rail

The Company also has a Magnesita Specialties business that produces magnesite-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 six-months ended June 30, 2018.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2018

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

Second Quarter Ended June 30, 2018

(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 and adjusted EBITDA, as described below, 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

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(Dollars in thousands)

Net Earnings Attributable to Martin Marietta Materials, Inc.

\$	
185,377	
\$	
142,279	
\$	
195,400	
\$	
184,613	
Add back:	
Interest expense	
32,971	
24,045	
68,059	
44,896	
Income tax expense for controlling interests	
52,581	
51,981	
55,018	
66,503	
Depreciation, depletion and amortization expense	
85,737	
73,993	
161,451	
144,000	
Consolidated EBITDA	
\$	
356,666	
\$	
292,298	
\$	
479,928	
\$	
440,012	

Impact of Acquisition-Related Items

Adjusted consolidated earnings from operations, adjusted earnings per diluted share and adjusted EBITDA for the three- and six-months ended June 30, 2018, exclude the impact of acquisition-related expenses, net, and the impact of selling acquired inventory due to the markup to fair value as part of acquisition accounting. Acquisition-related expenses, net, consist of acquisition and integration expenses and the nonrecurring gain on the required divestiture of a legacy Martin Marietta quarry in Georgia as part of the acquisition of Bluegrass Materials. Adjusted consolidated earnings from operations, adjusted earnings per diluted share and adjusted EBITDA represent non-GAAP financial measures. Management presents these measures for investors and analysts to evaluate and forecast the Company's financial results, as acquisition-related expenses, net, and the impact of selling acquired inventory due to the markup to fair value as part of acquisition accounting are nonrecurring.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2018

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

Second Quarter Ended June 30, 2018

(Continued)

The following reconciles consolidated earnings from operations in accordance with GAAP to adjusted consolidated earnings from operations:

Three-Months Ended

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(Dollars in thousands)

Consolidated earnings from operations in accordance with

GAAP

\$

263,953

\$

212,852

\$

303,034

\$

290,002

Add back:

Acquisition-related expenses, net

12,126

1,982

12,836

2,004

Impact of selling acquired inventory due to the markup to
fair value as part of acquisition accounting

10,167

-

10,167

-

Adjusted consolidated earnings from operations

\$

286,246

\$

214,834

\$

326,037

\$

292,006

The following reconciles earnings per diluted share in accordance with GAAP to adjusted earnings per diluted share:

Three-Months Ended

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

Earnings per diluted share in accordance with GAAP

\$

2.92

\$

2.25

\$

3.08

\$

2.91

Add back:

Earnings per diluted share impact of acquisition-related
expenses, net

0.21

0.02

0.22

0.02

Earnings per diluted share impact of selling acquired
inventory due to the markup to fair value as part of
acquisition accounting

0.12

-

0.12

-

Adjusted earnings per diluted share

\$
3.25

\$
2.27

\$
3.42

\$
2.93

The following reconciles consolidated EBITDA to adjusted consolidated EBITDA:

Three-Months Ended

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(Dollars in thousands)

Consolidated EBITDA

\$
356,666

\$
292,298

\$
479,928

\$
440,012

Add back:

Acquisition-related expenses, net

12,126

1,982

12,836

2,004

Impact of selling acquired inventory due to the markup to
fair value as part of acquisition accounting

10,167

-

10,167

-

Adjusted consolidated EBITDA

\$

378,959

\$

294,280

\$

502,931

\$

442,016

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2018

(Continued)

Adjusted gross margin for aggregates products excludes the impact of selling acquired inventory due to the markup to fair value as part of acquisition accounting and is a non-GAAP measure. Management presents this measure for investors and analysts to evaluate and forecast the Company's financial results, as the impact of selling acquired inventory due to the markup to fair value as part of acquisition accounting is nonrecurring. The following reconciles gross margin for aggregates products to adjusted gross margin for aggregates products:

Three-Months Ended

Six-Months Ended

June 30,

June 30,

2018

2017

2018

2017

(Dollars in thousands)

Gross profit for aggregates products

\$

198,540

\$

173,012

\$

251,542

\$

251,967

Total products revenues for aggregates

\$

665,308

\$

577,913

\$

1,090,324

\$

1,028,968

Gross margin for aggregates products in accordance
with GAAP

29.8

%

29.9

%

23.1

%

24.5

%

Gross profit for aggregates products in accordance with
GAAP

\$

198,540

\$

173,012

\$

251,542

\$

251,967

Add back:

Impact of selling acquired inventory due to the markup to
fair value as part of acquisition accounting

\$

10,167

\$

-

\$

10,167

\$

-

Adjusted gross profit for aggregates products

\$

208,707

\$

173,012

\$

261,709

\$

251,967

Total products revenues for aggregates

\$

665,308

\$

577,913

\$

1,090,324

\$

1,028,968

Adjusted gross margin for aggregates products

31.4

%

29.9

%

24.0

%

24.5

%

Significant items for the quarter ended June 30, 2018 (unless noted, all comparisons are versus the prior-year quarter):

Consolidated total revenues of \$1.20 billion compared with \$1.06 billion

Building Materials business products and services revenues of \$1.06 billion compared with \$931.1 million and Magnesia Specialties products revenue of \$68.2 million compared with \$65.7 million

Consolidated gross profit of \$315.9 million compared with \$274.1 million

Consolidated earnings from operations of \$264.0 million compared with \$212.9 million; adjusted earnings from operations of \$286.2 million compared with \$214.8 million

Net earnings attributable to Martin Marietta of \$185.4 million compared with \$142.3 million

EBITDA of \$356.7 million compared with \$292.3 million; adjusted EBITDA of \$379.0 million compared with \$294.3 million

Earnings per diluted share (EPS) of \$2.92 compared with \$2.25; adjusted EPS of \$3.25 compared with \$2.27

The following table presents total revenues, gross profit (loss), selling, general and administrative (SG&A) expenses and earnings (loss) from operations data for the Company and its reportable segments by product line for the three-months ended June 30, 2018 and 2017. In each case, the data is stated as a percentage of total products and services revenues

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of the Company or the relevant segment or product line, as the case may be. Prior-year information has been reclassified to conform to current year revenue presentation.

Three-Months Ended June 30,

2018

2017

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Total revenues:

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

325,578

100.0

\$

269,914

100.0

Southeast Group

Aggregates

109,082

100.0

88,538

100.0

West Group

Aggregates

230,648

100.0

219,461

100.0

Cement

113,148

100.0

98,937

100.0

Ready mixed concrete

277,202

100.0

241,871	
100.0	
Asphalt and paving	
83,140	
100.0	
82,943	
100.0	
Less: Interproduct revenues	
(78,178	
)	
(70,549	
)	
Products and services	
1,060,620	
100.0	
931,115	
100.0	
Freight	
68,821	
62,380	
Total Building Materials Business	
1,129,441	
100.0	
993,495	
100.0	
Magnesia Specialties Business:	
Products	
68,157	
100.0	
65,728	
100.0	
Freight	
4,805	
4,301	
Total Magnesia Specialties Business	
72,962	
100.0	
70,029	
100.0	
Total	
\$	

1,202,403

100.0

\$

1,063,524

100.0

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Three-Months Ended June 30,

2018

2017

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Gross profit (loss):

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

120,821

37.1

\$

98,608

36.5

Southeast Group

Aggregates

20,070

18.4

18,931

21.4

West Group

Aggregates

57,649

25.0	
55,473	
25.3	
Cement	
41,305	
36.5	
29,369	
29.7	
Ready mixed concrete	
29,952	
10.8	
26,840	
11.1	
Asphalt and paving	
18,512	
22.3	
20,314	
24.5	
Products and services	
288,309	
27.2	
249,535	
26.8	
Freight	
598	
621	
Total Building Materials Business	
288,907	
25.6	
250,156	
25.2	
Magnesia Specialties Business:	
Products	
24,870	
36.5	
24,798	
37.7	
Freight	
(1,028	
)	
(1,174	

)

Total Magnesia Specialties Business

23,842

32.7

23,624

33.7

Corporate

3,168

314

Total

\$

315,917

26.3

\$

274,094

25.8

Selling, general & administrative expenses:

Building Materials Business:

Mid-America Group

\$

14,016

\$

13,720

Southeast Group

4,833

4,447

West Group

27,161

25,874

Total Building Materials Business

46,010

44,041

Magnesia Specialties

2,505

2,429

Corporate

22,555

21,903

Total

\$

71,070

5.9

\$

68,373

6.4

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Three-Months Ended June 30,

2018

2017

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Earnings (Loss) from operations:

Building Materials Business:

Mid-America Group

\$

108,709

\$

85,363

Southeast Group

32,052

14,334

West Group

122,844

112,491

Total Building Materials Business

263,605

212,188

Magnesia Specialties

21,329

21,118

Corporate

(20,981

)
(20,454

)
Total

\$
263,953

22.0
\$

212,852
20.0

Building Materials Business

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

Three-Months Ended

June 30, 2018

Volume

Pricing

Volume/Pricing variance (1)

Heritage Operations: (2)

Mid-America Group

4.6

%

6.3

%

Southeast Group

3.4

%

1.5

%

West Group

2.0

%

3.2

%

Total Heritage Aggregates Operations

3.4

%

4.4

%

Total Aggregates Operations (3)

11.3

%

3.5

%

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Three-Months Ended

June 30,

2018

2017

(Tons in Thousands)

Shipments

Heritage Operations: (2)

Mid-America Group

21,448

20,513

Southeast Group

5,378

5,203

West Group

18,065

17,707

Heritage Aggregates Operations

44,891

43,423

Acquisitions

3,428

-

Total Aggregates Operations (3)

48,319

43,423

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

(2) Heritage aggregates operations exclude acquisitions that have not been included in prior-year operations for the comparable period.

(3) Total aggregates operations include acquisitions from the date of acquisition and divestitures through the date of disposal.

During the quarter, aggregates shipments to all three of the Company's primary end-use markets increased, demonstrating the breadth of the overall construction recovery. However, the limited availability of transportation and tight contractor labor markets pose challenges for more efficient throughput. Specifically, suboptimal railroad performance, limited truck availability

and contractor capacity limitations, including their notable employee shortages, muted the Company's overall second-quarter volume growth. However, as capital and increased wages flow into the construction sector, the Company expects these temporary bottlenecks will abate, allowing supply and demand to reach equilibrium.

Inclusive of acquired operations, aggregates product revenues increased 15.1% for the quarter, reflecting volume growth of 11.3% and pricing growth of 3.5%. Heritage volume and pricing improved 3.4% and 4.4%, respectively. Shipments for the Mid-America Group heritage operations increased 4.6%, driven by several large public and private construction projects in North Carolina. These operations generated heritage pricing gains of 6.3%, driven by continued price discipline. Shipments for the Southeast Group heritage operations increased 3.4%, driven by strong construction activity in North Georgia. Weather and railroad inefficiencies hindered long-haul shipments from South Georgia to distribution yards in Florida, negatively affecting shipments and limited pricing growth to 1.5%. West Group shipments improved 2.0%. Notably, all districts in the Southwest Division posted volume growth; however, this volume growth was partially offset by reduced Colorado volumes resulting from project delays and lower ballast sales. West Group pricing improved 3.2%, reflecting robust pricing in Colorado that was offset by product mix, partially offset a lower percentage of commercial rail-shipped volumes in Texas.

Heritage aggregates shipments to the infrastructure market increased 2%, driven by large public projects in North Carolina and partially offset by project delays in Texas and Colorado as well as the previously-noted poor railroad service in Texas, South Georgia and Florida. The Company is encouraged by the recent acceleration of state lettings and contract awards; however, some contractors are reporting a longer lag time between contract awards and the commencement of projects. As state Departments of Transportation (DOTs) and contractors address labor constraints

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and the broader industry benefits from further regulatory reform, management remains confident that infrastructure demand will continue to improve from the funding provided by the Fixing America's Surface Transportation Act (FAST Act) and numerous state and local transportation initiatives. Notably, once awarded, public construction projects are typically certain to be fully completed; thus, delays from weather or other factors merely extend the duration of the construction cycle for the Company's single largest end use. Overall, aggregates shipments to the infrastructure market comprised 40 % of second-quarter aggregates volumes, which remains below the Company's most recent five-year average of 43%.

Heritage aggregates shipments to the nonresidential market increased 6%, driven by both commercial and heavy industrial construction activity. Additionally, ongoing energy-sector project approvals, supported by higher oil prices, underpin management's expectation that the next wave of these large projects, particularly along the Gulf Coast, will contribute to increased aggregates demand for the next several years. The nonresidential market represented 33% of second-quarter aggregates shipments.

Heritage aggregates shipments to the residential market increased 11%. Six of the Company's key states - Texas, Florida, North Carolina, Colorado, Georgia and South Carolina - rank in the top ten nationally for growth in single-family housing unit starts for the trailing-twelve months ended May 2018. The residential construction outlook across the Company's geographic footprint remains positive for both single- and multi-family housing, driven by favorable demographics, job growth, land availability and efficient permitting. The residential market accounted for 22% of second-quarter aggregates shipments.

The ChemRock/Rail market accounted for the remaining 5% of second-quarter heritage aggregates shipments. Shipments to this sector declined 21%, reflective of the timing of certain purchases by East Coast railroads in the prior-year quarter as well as reduced ballast shipments due to lower maintenance spending by Class I railroads.

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

Three-Months Ended

June 30,

2018

2017

% Change

Aggregates - heritage (per ton)

\$

13.82

\$

13.24

4.4

%

Aggregates - acquisition (per ton)

\$

12.08

\$

-

Cement (per ton)

\$

109.11

\$

106.31

2.6

%

Ready Mixed Concrete (per cubic yard)

\$

106.65

\$

106.90

(0.2

)%

Asphalt (per ton)

\$

44.70

\$

42.48

5.2

%

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(Continued)

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

Three-Months Ended

June 30,

2018

2017

Shipments

Aggregates (in thousands):

Heritage:

Tons to external customers

41,762

40,411

Internal tons used in other product lines

3,129

3,012

Total heritage aggregates tons

44,891

43,423

Acquisitions:

Tons to external customers

3,428

-

Internal tons used in other product lines

-

-

Total acquisition aggregates tons

3,428

-

Cement (in thousands):

Tons to external customers

653

620

Internal tons used in ready mixed concrete

375

302

Total cement tons

1,028

922

Ready Mixed Concrete (in thousands of cubic yards)

2,559

2,226

Asphalt (in thousands):

Tons to external customers

293

325

Internal tons used in paving business

635

662

Total asphalt tons

928

987

Second-quarter cement product revenues increased 14.4%. Shipments and pricing improved 11.6% and 2.6%, respectively, reflecting robust demand in North and South Texas. These factors, coupled with increased production efficiencies, contributed to the 680-basis-point improvement in product gross margin to 36.5%.

Ready mixed concrete shipments increased 15.0%, driven primarily by strong construction activity in Texas, particularly in the Dallas/Fort Worth market. Overall, second-quarter ready mixed concrete prices decreased slightly, with lower energy-sector shipments and product mix in Texas offsetting the 5.9% pricing growth in Colorado and solid pricing gains in Dallas/Fort Worth. Project delays contributed to the 6.0% decrease in asphalt shipments, while rising raw material costs allowed for favorable pricing during the quarter.

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Magnesia Specialties Business

Magnesia Specialties reported second-quarter total products revenue of \$68.2 million compared with \$65.7 million. Products gross profit was \$24.9 million compared with \$24.8 million and earnings from operations were \$21.3 million compared with \$21.1 million. Higher costs for energy and contract services contributed to a 120-basis-point reduction of second-quarter product gross margin to 36.5%.

Gross Profit

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

Consolidated gross profit, quarter ended June 30, 2017

\$

274,094

Aggregates products:

Volume

60,844

Pricing

26,333

Cost increases, net

(61,649

)

Change in aggregates products gross profit

25,528

Cement products and downstream products and services

13,246

Magnesia Specialties products

72

Corporate

2,854

Freight

123

Change in consolidated gross profit

41,823

Consolidated gross profit, quarter ended June 30, 2018

\$

315,917

Cost increases, net, includes the nonrecurring \$10.2 million negative impact of selling acquired inventory due to the markup to fair value as a part of acquisition accounting.

Cement outage costs, which reflect planned and unplanned plant shutdowns, were \$5.0 million for the quarter compared with \$4.1 million for the prior-year quarter.

Consolidated Operating Results

Consolidated SG&A was 5.9% of total revenues compared with 6.4% in the prior-year quarter, a 50-basis-point improvement. Earnings from operations for the quarter were \$264.0 million in 2018 compared with \$212.9 million in 2017.

Among other items, other operating income, 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 second quarter, consolidated other operating income, net, was \$31.2 million in 2018 and \$9.1 million in 2017. The increase in other operating income, net, is primarily driven by a gain on the sale of surplus land of \$16.9 million and a net gain on litigation and related settlements of \$7.7 million in 2018. The 2017 amount includes a \$13.5 million gain on the sale of real estate and \$6.1 million of expense, including both cash and stock-based compensation components, related to the retirement of a senior executive officer.

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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 second quarter, other nonoperating income, net, was \$7.1 million and \$5.4 million in 2018 and 2017, respectively. The increase in 2018 compared with 2017 reflects higher interest income and lower pension expense.

Significant items for the six-months ended June 30, 2018 (unless noted, all comparisons are versus the prior-year period):

Consolidated total revenues of \$2.00 billion increased 5.1% compared with \$1.91 billion

Building Materials business products and services revenues of \$1.75 billion compared with \$1.66 billion and Magnesia

Specialties products revenue of \$133.0 million compared with \$130.0 million

Consolidated gross profit of \$426.3 million compared with \$421.2 million

Consolidated earnings from operations of \$303.0 million compared with \$290.0 million; adjusted consolidated earnings from operations of \$326.0 million compared with \$292.0 million

Net earnings attributable to Martin Marietta of \$195.4 million compared with \$184.6 million

EBITDA of \$479.9 million compared with \$440.0 million; adjusted EBITDA of \$502.9 million compared with \$442.0 million

Earnings per diluted share of \$3.08 compared with \$2.91; adjusted earnings per diluted share of \$3.42 compared with \$2.93

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 by product line for the six-months ended June 30, 2018 and 2017. In each case, the data is stated as a percentage of total products and services revenues of the Company or the relevant segment or product line, as the case may be. Prior-year information has been reclassified to conform to current year revenue presentation.

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Six-Months Ended June 30,

2018

2017

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Total revenues:

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

493,468

100.0

\$

447,321

100.0

Southeast Group

Aggregates

186,646

100.0

175,264

100.0

West Group

Aggregates

410,210

100.0

406,383

100.0

Cement

202,331

100.0

192,491

100.0

Ready mixed concrete

495,738

100.0

464,249

100.0

Asphalt and paving

99,507

100.0

104,680

100.0

Less: Interproduct revenues

(138,843

)

(131,258

)

Products and services

1,749,057

100.0

1,659,130

100.0

Freight

113,126

109,648

Total Building Materials Business

1,862,183

100.0

1,768,778

100.0

Magnesia Specialties:

Products

133,025

100.0

130,029

100.0

Freight

9,199

8,576

Total Magnesia Specialties Business

142,224

100.0

138,605

100.0

Total

\$

2,004,407

100.0

\$

1,907,383

100.0

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Six-Months Ended June 30,

2018

2017

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Gross profit (loss):

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

139,200

28.2

\$

124,962

27.9

Southeast Group

Aggregates

26,643

14.3

33,366

19.0

West Group

Aggregates

85,699

20.9

93,639

23.0

Cement

65,038

32.1

60,148

31.2

Ready mixed concrete

45,593

9.2

46,630

10.0

Asphalt and paving

10,873

10.9

15,573

14.9

Products and services

373,046

21.3

374,318

22.6
 Freight
 480
 1,028
 Total Building Materials Business
 373,526
 20.1
 375,346
 21.2
 Magnesia Specialties:
 Products
 49,933
 37.5
 48,153
 37.0
 Freight
 (2,203
)
 (2,214
)
 Total Magnesia Specialties Business
 47,730
 33.6
 45,939
 33.1
 Corporate
 5,053
 (125
)
 Total
 \$
 426,309
 21.3
 \$
 421,160
 22.1
 Selling, general & administrative expenses:
 Building Materials Business:
 Mid-America Group
 \$
 27,146

\$
 27,263
 Southeast Group
 9,249
 8,799
 West Group
 53,293
 50,948
 Total Building Materials Business
 89,688
 87,010
 Magnesia Specialties
 5,107
 4,817
 Corporate
 46,396
 46,081
 Total

\$
 141,191

7.0

\$
 137,908

7.2

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(Continued)

Six-Months Ended June 30,

2018

2017

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Earnings (Loss) from operations:

Building Materials Business:

Mid-America Group

\$

114,876

\$

98,705

Southeast Group

34,093

24,449

West Group

157,796

173,724

Total Building Materials Business

306,765

296,878

Magnesia Specialties

42,565

40,999

Corporate

(46,296

)

(47,875

)

Total

\$

303,034

15.1

\$

290,002

15.2

Building Materials Business

The following tables present volume and pricing data and shipments data for the aggregates product line.

Six-Months Ended

June 30, 2018

Volume

Pricing

Volume/Pricing Variance (1)

Heritage Operations: (2)

Mid-America Group

(1.0

)%

5.6

%

Southeast Group

(4.4

)%

1.8

%

West Group

(1.1

)%

2.1

%

Total Heritage Aggregates Operations

(1.5

)%

3.5

%

Total Aggregates Operations (3)

3.0

%

2.9

%

Six-Months Ended

June 30,

2018

2017

(Tons in Thousands)

Shipments

Heritage Operations: (2)

Mid-America Group

32,920

33,251

Southeast Group

9,783

10,231

West Group

32,208

32,552

Heritage Aggregates Operations

74,911

76,034

Acquisitions

3,428

-

Total Aggregates Operations (3)

78,339

76,034

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

(2) Heritage aggregates operations exclude acquisitions that have not been included in prior-year operations for the comparable period.

(3) Total aggregates operations includes acquisitions from the date of acquisition and divestitures through the date of disposal.

Unit shipments by product line for the Company is as follows:

Six-Months Ended

June 30,

2018

2017

Shipments

Aggregates (in thousands):

Heritage:

Tons to external customers

69,639

70,829

Internal tons used in other product lines

5,272

5,205

Total heritage aggregates tons

74,911

76,034

Acquisitions:

Tons to external customers

3,428

-

Internal tons used in other product lines

-

-
Total acquisition aggregates tons
3,428

-
-
Cement (in thousands):
Tons to external customers

1,180
1,226
Internal tons used in ready mixed concrete
673
601

Total cement tons
1,853
1,827
Ready Mixed Concrete (in thousands of cubic yards)
4,567
4,282

Asphalt (in thousands):
Tons to external customers
408
478
Internal tons used in paving business
711
786

Total asphalt tons
1,119
1,264

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(Continued)

Average selling prices by product line for the Company were as follows:

Six-Months Ended

June 30,

2018

2017

% Change

Aggregates (per ton)

\$

13.91

\$

13.45

3.4

%

Aggregates - acquisition (per ton)

\$

12.08

\$

-

Cement (per ton)

\$

108.10

\$

104.44

3.5

%

Ready Mixed Concrete (per cubic yard)

\$

106.51

\$

106.39

0.1

%

Asphalt (per ton)

\$

44.38

\$

41.49

7.0

%

Magnesia Specialties

For the first six months of 2018, Magnesia Specialties reported total products revenue of \$133.0 million, a 2.3% increase compared with the prior-year period. Earnings from operations were \$42.6 million compared with \$41.0 million.

Gross Profit

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

Consolidated gross profit, six-months ended June 30, 2017

\$

421,160

Aggregates products:

Volume

26,747

Pricing

34,752

Cost increases, net

(61,924

)

Change in aggregates products gross profit

(425

)

Cement products and downstream products and services

(847

)

Magnesia Specialties products

1,780

Corporate

5,178

Freight

(537

)

Change in consolidated gross profit

5,149

Consolidated gross profit, six-months ended June 30, 2018

\$

426,309

Cost increases, net, includes the nonrecurring \$10.2 million negative impact of selling acquired inventory due to the markup to fair value as a part of acquisition accounting.

Consolidated Operating Results

For the six-months ended June 30, 2018, consolidated SG&A was 7.0% of total revenues compared with 7.2% in the prior-year period. Earnings from operations for the first six months were \$303.0 million in 2018 compared with \$290.0 million in 2017.

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(Continued)

For the six-months ended June 30, consolidated other operating income, net, was \$30.8 million in 2018 and \$8.8 million in 2017. The increase in other operating income, net, is primarily driven by a gain on the sale of surplus land of \$16.9 million and a net gain on litigation and related settlements of \$7.7 million in 2018. The 2017 amount includes a \$13.5 million gain on the

sale of real estate and \$6.1 million of expense, including both cash and stock-based compensation components, related to the retirement of a senior executive officer .

For the six-months ended June 30, 2018, other nonoperating income, net, was \$15.6 million, a \$9.6 million increase compared with prior year, reflecting higher interest income and lower pension expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities for the six-months ended June 30 was \$238.0 million in 2018 compared with \$229.3 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:

Six-Months Ended

June 30,

2018

2017

(Dollars in Thousands)

Depreciation

\$

143,218

\$

128,543

Depletion

11,124

8,290

Amortization

9,203

9,269

\$

163,545

\$

146,102

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 \$229.3 million for the first six months of 2017.

During the six-months ended June 30, 2018, the Company paid \$188.3 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 deems appropriate. The Company did not make any repurchases of common stock during the first six months of the year. At June 30, 2018, 14,669,000 shares of common stock were remaining under the Company's repurchase authorization.

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 \$400 million Trade Receivable Facility, consolidated debt, including debt for which the Company is a co-borrower, may be reduced by the Company's

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(Continued)

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. During periods that include an acquisition, pre-acquisition adjusted EBITDA of the acquired company is added to consolidated EBITDA as if the acquisition occurred on the first day of the calculation period. Certain other nonrecurring items, if they occur, can affect the calculation of consolidated EBITDA.

At June 30, 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 2.75 times and was calculated as follows:

July 1, 2017 to

June 30, 2018

(Dollars in thousands)

Earnings from continuing operations attributable to Martin Marietta

\$

724,129

Add back:

Interest expense

114,650

Depreciation, depletion and amortization expense

311,571

Stock-based compensation expense

29,831

Acquisition-related expenses, net

46,341

Bluegrass EBITDA - Pre-acquisition adjusted (July 2017 to April 2018)

77,462

Deduct:

Interest income

(7,138

)

Income tax benefit

(105,999

)

Gain on divestiture

(14,785

)

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

\$

1,176,062

Consolidated net debt, as defined and including debt for which the

Company is a co-borrower, at June 30, 2018

\$

3,234,337

Consolidated debt-to-consolidated EBITDA, as defined by the Company's

Revolving Facility, at June 30, 2018 for the trailing-twelve

months EBITDA

2.75x

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,

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meet capital expenditures and discretionary investment needs, and certain acquisition opportunities that may arise and allow for payment of dividends for the foreseeable future. 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, subject to a working capital true up. 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. At June 30, 2018, the Company had \$607.7 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 expects to extend the maturity of the Trade Receivable Facility prior to the expiration date. 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 million.

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.

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OUTLOOK

The Company remains confident about the its near-term and long-term outlooks given the disciplined execution of its strategic business plan and the underlying market fundamentals, including positive employment and population trends, across its geographic footprint. 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's full-year 2018 guidance for its heritage business is as follows:

Heritage aggregates average selling price is expected to increase in a range of 3% to 5%.

Heritage aggregates volume is expected to increase in a range of 4% to 6% 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 decrease.

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 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: the performance of the United States economy; 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, state or local transportation or infrastructure projects funding, most particularly in Texas, North Carolina, Iowa, Colorado, Georgia and Maryland; the United States Congress'

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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; 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 Magnesita 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 magnesita 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 Magnesita 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 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.

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

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immaterial could affect the accuracy of the Company's forward-looking statements , or adversely affect or be material to the Company. The Company assumes no obligation to update any such 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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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 1.9% during the six-months ended June 30, 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 June 30, 2018, the Company had a \$700 million Credit Agreement and a \$400 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 \$1.09 billion, which was the collective outstanding balance at June 30, 2018, would increase interest expense by \$10.9 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 Magnesia Specialties business have fixed price agreements covering 100% of its 2018 coal requirements. Energy costs for the six-months ended June 30, 2018 increased approximately 20% over the prior-year period. 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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For the Quarter Ended June 30, 2018

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Item 4. Controls and Procedures

As of June 30, 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 June 30, 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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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

April 1, 2018 - April 30, 2018

-

\$

-

-

14,668,891

May 1, 2018 - May 31, 2018

-

\$

-

-

14,668,891

June 1, 2018 - June 30, 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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PART II- OTHER INFORMATION

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Item 6. Exhibits.

Exhibit No.

Document

31.01

Certification dated July 27, 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 July 27, 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 July 27, 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 July 27, 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

95

Mine Safety Disclosures

101.INS

XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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: July 27, 2018

By:

/s/ James A. J. Nickolas

James A. J. Nickolas

Sr. Vice President and

Chief Financial Officer

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