

Northbridge Materials Corporation - Form 10-Q

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

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.

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Trading Symbol(s)

Name of each exchange on

which registered

Common Stock (Par Value \$0.01)

MLM

NYSE

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth 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 26, 2019

Common Stock, \$0.01 par value

62,439,522

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

Page

Part I. Financial Information:

Item 1. Financial Statements

Consolidated Balance Sheets - June 30, 2019 and December 31, 2018

3

Consolidated Statements of Earnings and Comprehensive Earnings - Three and Six Months Ended June 30, 2019 and 2018

4

Consolidated Statements of Cash Flows - Six Months Ended June 30, 2019 and 2018

5

Consolidated Statement of Total Equity - Three and Six Months Ended June 30, 2019 and 2018

6

Notes to Consolidated Financial Statements

8

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

29

Item 3. Quantitative and Qualitative Disclosures About Market Risk

50

Item 4. Controls and Procedures

51

Part II. Other Information:

Item 1. Legal Proceedings

52

Item 1A. Risk Factors

52

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

52

Item 4. Mine Safety Disclosures

52

Item 6. Exhibits

53

Signatures

54

Page 2 of 54

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

(UNAUDITED) CONSOLIDATED BALANCE SHEETS

June 30,

December 31,

2019

2018

(Dollars in Thousands)

ASSETS

Current Assets:

Cash and cash equivalents

\$

53,595

\$

44,892

Accounts receivable, net

710,605

523,276

Inventories, net

646,342

663,035

Other current assets

122,579

134,613

Total Current Assets

1,533,121

1,365,816

Property, plant and equipment

8,396,505

8,294,962

Allowances for depreciation, depletion and amortization

(3,263,823

)

(3,137,733

)

Net property, plant and equipment

5,132,682

5,157,229

Goodwill

2,394,320

2,399,118

Other intangibles, net

493,824

501,282

Operating lease right-of-use assets

487,360

-

Other noncurrent assets

122,350

127,974

Total Assets

\$

10,163,657

\$

9,551,419

LIABILITIES AND EQUITY

Current Liabilities:

Accounts payable

\$

199,181

\$

210,808

Accrued salaries, benefits and payroll taxes	
37,128	
51,434	
Pension and postretirement benefits	
10,493	
9,942	
Accrued insurance and other taxes	
59,383	
63,543	
Current maturities of long-term debt and short-term facilities	
385,043	
390,042	
Operating lease liabilities	
51,011	
-	
Other current liabilities	
79,977	
60,981	
Total Current Liabilities	
822,216	
786,750	
Long-term debt	
2,732,018	
2,730,439	
Pension, postretirement and postemployment benefits	
140,066	
134,469	
Deferred income taxes, net	
699,455	
705,564	
Noncurrent operating lease liabilities	
438,932	
-	
Other noncurrent liabilities	
233,700	
244,785	
Total Liabilities	
5,066,387	
4,602,007	
Equity:	

Common stock, par value \$ 0.01 per share

623

624

Preferred stock, par value \$ 0.01 per share

-

-

Additional paid-in capital

3,416,590

3,396,059

Accumulated other comprehensive loss

(137,334

)

(143,579

)

Retained earnings

1,814,974

1,693,259

Total Shareholders' Equity

5,094,853

4,946,363

Noncontrolling interests

2,417

3,049

Total Equity

5,097,270

4,949,412

Total Liabilities and Equity

\$

10,163,657

\$

9,551,419

See accompanying notes to the consolidated financial statements.

Page 3 of 54

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,

2019

2018

2019

2018

(In Thousands, Except Per Share Data)

Products and services revenues

\$

1,196,135

\$

1,128,777

\$

2,074,440

\$

1,882,082

Freight revenues

83,333

73,626

143,983

122,325

Total Revenues

1,279,468

1,202,403

2,218,423

2,004,407

Cost of revenues - products and services

838,322

812,430

1,572,490

1,454,049

Cost of revenues - freight

84,279

74,056

146,159

124,049

Total Cost of Revenues

922,601

886,486

1,718,649

1,578,098

Gross Profit

356,867

315,917

499,774

426,309
Selling, general & administrative expenses
72,382
71,070
150,674
141,191
Acquisition-related expenses, net
47
12,126
191
12,836
Other operating income, net
(1,444
)
(31,232
)
(6,194
)
(30,752
)
Earnings from Operations
285,882
263,953
355,103
303,034
Interest expense
33,297
32,971
66,245
68,059
Other nonoperating expense and (income), net
13,226
(7,122
)
11,663
(15,626
)
Earnings before income tax expense
239,359
238,104
277,195

250,601	
Income tax expense	
49,890	
52,601	
44,899	
55,058	
Consolidated net earnings	
189,469	
185,503	
232,296	
195,543	
Less: Net (loss) earnings attributable to noncontrolling interests	
(6	
)	
126	
(32	
)	
143	
Net Earnings Attributable to Martin Marietta Materials, Inc.	
\$	
189,475	
\$	
185,377	
\$	
232,328	
\$	
195,400	
Consolidated Comprehensive Earnings:	
Earnings attributable to Martin Marietta Materials, Inc.	
\$	
192,465	
\$	
186,979	
\$	
238,573	
\$	
198,621	
(Loss) Earnings attributable to noncontrolling interests	
(5	
)	

126

(32

)

144

\$

192,460

\$

187,105

\$

238,541

\$

198,765

Net Earnings Attributable to Martin Marietta Materials, Inc.

Per Common Share:

Basic attributable to common shareholders

\$

3.02

\$

2.94

\$

3.71

\$

3.10

Diluted attributable to common shareholders

\$

3.01

\$

2.92

\$

3.69

\$

3.08

Weighted-Average Common Shares Outstanding:

Basic

62,563

63,021

62,574

62,989

Diluted

62,720

63,285

62,749

63,253

See accompanying notes to the consolidated financial statements.

Page 4 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

(UNAUDITED) CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended

June 30,

2019

2018

(Dollars in Thousands)

Cash Flows from Operating Activities:

Consolidated net earnings

\$

232,296

\$

195,543

Adjustments to reconcile consolidated net earnings to net cash

provided by operating activities:

Depreciation, depletion and amortization

181,986

163,545

Stock-based compensation expense

22,250

17,098

Gain on divestitures and sales of assets

(3,927

)

(33,527

)

Deferred income taxes

(6,393

)

14,986

Other items, net

14,892

(4,757

)

Changes in operating assets and liabilities, net of effects of acquisitions

and divestitures:

Accounts receivable, net

(187,076
)
 (157,603
)
 Inventories, net
 15,744
 (7,133
)
 Accounts payable
 36,614
 44,266
 Other assets and liabilities, net
 27,345
 5,615
 Net Cash Provided by Operating Activities
 333,731
 238,033
 Cash Flows from Investing Activities:
 Additions to property, plant and equipment
 (207,452
)
 (188,270
)
 Acquisitions, net
 -
 (1,645,698
)
 Proceeds from divestitures and sales of assets
 5,997
 58,213
 Payment of railcar construction advances
 -
 (28,306
)
 Reimbursement of railcar construction advances
 -
 28,306
 Investments in life insurance contracts, net
 527
 424
 Other investing activities, net

(957

)

-

Net Cash Used for Investing Activities

(201,885

)

(1,775,331

)

Cash Flows from Financing Activities:

Borrowings of debt

165,000

665,000

Repayments of debt

(170,028

)

(475,025

)

Payments of deferred acquisition consideration

-

(1,426

)

Payments on finance leases

(1,820

)

-

Payments on capital lease

-

(1,725

)

Debt issuance costs

-

(3,194

)

Distributions to owners of noncontrolling interest

(600

)

-

Share repurchases

(50,000

)

-

Dividends paid

(60,615

)

(55,795

)

Proceeds from exercise of stock options

7,094

6,943

Shares withheld for employees' income tax obligations

(12,174

)

(10,065

)

Net Cash (Used for) Provided by Financing Activities

(123,143

)

124,713

Net Increase (Decrease) in Cash and Cash Equivalents

8,703

(1,412,585

)

Cash and Cash Equivalents, beginning of period

44,892

1,446,364

Cash and Cash Equivalents, end of period

\$

53,595

\$

33,779

See accompanying notes to the consolidated financial statements.

Page 5 of 54

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 March 31, 2019

62,593

\$

625

\$

3,406,456

\$

(140,324

)

\$

1,705,717

\$

4,972,474

\$

3,022

\$

4,975,496

Consolidated net earnings

-

-

-

-

189,475

189,475

(6

)

189,469

Other comprehensive earnings,

net of tax

-

-

-

2,990

-

2,990

1

2,991

Dividends declared (\$ 0.48 per share)

-
-
-
-
(30,220
)
(30,220
)
-
(30,220
)
Issuances of common stock for stock
award plans
72
-
6,482
-
-
6,482
-
6,482
Shares withheld for employees' income
tax obligations
-
-
(5,046
)
-
-
(5,046
)
-
(5,046
)
Repurchases of common stock
(232
)
(2
)
-
-

(49,998

)

(50,000

)

-

(50,000

)

Stock-based compensation expense

-

-

8,698

-

-

8,698

-

8,698

Distributions to owners of
noncontrolling interest

-

-

-

-

-

-

(600

)

(600

)

Balance at June 30, 2019

62,433

\$

623

\$

3,416,590

\$

(137,334

)

\$

1,814,974

\$

5,094,853

\$
 2,417
 \$
 5,097,270
 Balance at December 31, 2018
 62,515
 \$
 624
 \$
 3,396,059
 \$
 (143,579
)
 \$
 1,693,259
 4,946,363
 \$
 3,049
 4,949,412
 Consolidated net earnings
 -
 -
 -
 -
 232,328
 232,328
 (32
)
 232,296
 Other comprehensive earnings,
 net of tax
 -
 -
 -
 6,245
 -
 6,245
 -
 6,245
 Dividends declared (\$ 0.96 per share)
 -

-

-

-

(60,615

)

(60,615

)

-

(60,615

)

Issuances of common stock for stock
award plans

150

1

10,455

-

-

10,456

-

10,456

Shares withheld for employees' income
tax obligations

-

-

(12,174

)

-

-

(12,174

)

-

(12,174

)

Repurchases of common stock

(232

)

(2

)

-

-

(49,998

)
 (50,000
)
 -
 (50,000
)
 Stock-based compensation expense
 -
 -
 22,250
 -
 -
 22,250
 -
 22,250
 Distributions to owners of
 noncontrolling interest
 -
 -
 -
 -
 -
 -
 (600
)
 (600
)
 Balance at June 30, 2019
 62,433
 \$
 623
 \$
 3,416,590
 \$
 (137,334
)
 \$
 1,814,974
 \$
 5,094,853
 \$

2,417

\$

5,097,270

See accompanying notes to the consolidated financial statements.

Page 6 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF TOTAL EQUITY (Continued)
(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 March 31, 2018

62,948

\$

628

\$

3,381,280

\$

(127,485

)

\$

1,422,207

\$

4,676,630

\$

3,200

\$

4,679,830

Consolidated net earnings

-

-

-

-

185,377

185,377

126

185,503

Other comprehensive earnings,
net of tax

-

-

-

1,602

-

1,602

1

1,603

Dividends declared (\$ 0.44 per share)

-

-

-

-

(27,910

)

(27,910

)

-

(27,910

)

Issuances of common stock for stock
award plans

64

1

4,095

-

-

4,096

-

4,096

Shares withheld for employees' income
tax obligations

-

-

(3,685

)

-

-

(3,685

)

-

(3,685

)

Stock-based compensation expense

-

-

7,338

-

-

7,338

-

7,338

Noncontrolling interest acquired in
business combination

-

-

-

-

-

-

8,695

8,695

Balance at June 30, 2018

63,012

\$

629

\$

3,389,028

\$

(125,883

)

\$

1,579,674

\$

4,843,448

\$

12,022

\$

4,855,470

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 (\$ 0.88 per share)

-

-

-

-

(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.

Page 7 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(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 in 27 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 Magnesita Specialties business with manufacturing facilities in Manistee, Michigan, and Woodville, Ohio. The Magnesita Specialties business produces magnesite-based chemicals products used in industrial, agricultural and environmental applications, and dolomitic lime sold primarily to customers in the steel and mining industries.

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 Accounting Standards Codification 842 - Leases (ASC 842), 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, 2018. 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,

Page 8 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2019 are not indicative of the results expected for other interim periods or the full year. The consolidated balance sheet at December 31, 2018 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, 2018 .

During the second quarter ended June 30, 2019, the Company identified a prior-period error that overstated its earnings from a nonconsolidated equity affiliate. The overstatement was not deemed material to the current period or any previously reported periods and was therefore corrected as an out-of-period expense of \$ 15.7 million during the quarter ended June 30, 2019. The pretax noncash adjustment is recorded in other nonoperating expenses, consistent with the recurring classification of equity earnings from the nonconsolidated affiliate.

New Accounting Pronouncement

Leases

Effective January 1, 2019, the Company adopted ASC 842, which requires virtually all leases, excluding mineral interest leases, to be recorded as right-of-use (ROU) assets and lease liabilities on the balance sheet and provides guidance on the recognition of lease expense and income. ASC 842 requires the modified retrospective transition approach, applying the new standard to all leases existing at the date of initial application. It further states that an entity may use either 1) its effective date or 2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The Company used the effective date as the date of initial application. As such, financial information and disclosures required under ASC 842 will not be provided for dates and periods prior to January 1, 2019.

The lease standard provides a number of practical expedients for transition and policy elections for ongoing accounting. The Company elected the "package of practical expedients", which permits the Company to not reassess its prior conclusions about lease identification, lease classification and initial direct costs. The Company elected the practical expedients pertaining to the use of hindsight and to land easements. Applying the hindsight practical expedient resulted in longer lease terms for many leases. The standard provides policy election options for recognition exemption for short-term leases and separation of lease and non-lease components. The Company elected the short-term lease recognition exemption and elected not to separate lease and non-lease components for all underlying asset classes, with the exceptions of railcars and fleet vehicle leases. The Company determines lease and non-lease components based on observable information, including rates provided by the lessor.

The adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of \$ 502.5 million and \$ 501.6 million, respectively, for operating leases and \$ 10.9 million and \$ 12.1 million, respectively, for finance leases. The adoption did not have a material impact on the Company's consolidated statement of earnings or consolidated statement of cash flows.

Subsequent to the date of adoption, the Company determines if a contract is or contains a lease at inception of the agreement. Operating and finance leases are recognized as ROU assets and the related obligations are recognized as current or noncurrent liabilities on the Company's consolidated balance sheets. Leases with an initial lease term of one year or less are not recorded on the balance sheet.

ROU assets, which represent the Company's right to use an underlying asset, and lease liabilities, which represent the Company's obligation to make lease payments arising from the lease, are recognized based on the present value of the future lease payments over the lease term at commencement date. The ROU asset also includes any lease payments made at or before commencement date and any initial direct costs incurred and excludes lease incentives. Certain of the Company's leases contain renewal and/or termination options. The Company recognizes renewal or

Page 9 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

termination options as part of its ROU assets and lease liabilities when the Company has the unilateral right to renew or terminate and it is reasonably certain these options will be exercised. The Company determines the present value of lease payments based on the implicit rate, which may be explicitly stated in the lease if available or may be the Company's estimated collateralized incremental borrowing rate based on the term of the lease. For operating leases, lease expense is recognized on a straight-line basis over the lease term.

Some leases require the Company pay non-lease components, which may include taxes, maintenance, insurance and certain other expenses applicable to the leased property, and are primarily considered variable costs. The Company generally accounts for lease and non-lease components as a single amount. However, for railcars and fleet vehicle leases, the Company separately accounts for the lease and non-lease components.

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,

2019

2018

2019

2018

(Dollars in Thousands)

Net earnings attributable to Martin Marietta Materials, Inc.

\$

189,475

\$

185,377

\$

232,328

\$

195,400

Other comprehensive earnings, net of tax

2,990

1,602

6,245

3,221

Comprehensive earnings attributable to Martin Marietta

Materials, Inc.

\$

192,465

\$

186,979

\$

238,573

\$

198,621

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

Three Months Ended

Six Months Ended

June 30,

June 30,

2019

2018

2019

2018

(Dollars in Thousands)

Net (loss) earnings attributable to noncontrolling interests

\$

(6

)

\$

126

\$

(32

)

\$

143

Other comprehensive earnings, net of tax

1

-

-

1

Comprehensive (loss) earnings attributable to
noncontrolling interests

\$

(5

)

\$

126

\$

(32

)

\$

144

Page 10 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

(Dollars in Thousands)

Pension and

Postretirement Benefit Plans

Foreign Currency
 Unamortized Value of Terminated
 Forward Starting Interest Rate
 Swap
 Accumulated
 Other Comprehensive
 Loss
 Three Months Ended June 30, 2019
 Balance at beginning of period
 \$
 (138,747
)
 \$
 (1,577
)
 \$
 -
 \$
 (140,324
)
 Other comprehensive earnings before
 reclassifications, net of tax
 -
 264
 -
 264
 Amounts reclassified from accumulated
 other comprehensive loss, net of tax
 2,726
 -
 -
 2,726
 Other comprehensive earnings, net of tax
 2,726
 264
 -
 2,990
 Balance at end of period
 \$
 (136,021
)

\$

(1,313

)

\$

-

\$

(137,334

)

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 loss, 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

)

Six Months Ended June 30, 2019

Balance at beginning of period

\$

(141,505

)

\$

(2,074

)

\$

-

\$

(143,579

)

Other comprehensive earnings before
reclassifications, net of tax

-

761

-

761

Amounts reclassified from accumulated
other comprehensive loss, net of tax

5,484

-

-

5,484

Other comprehensive earnings, net of tax

5,484

761

-

6,245

Balance at end of period

\$

(136,021

)

\$

(1,313

)

\$

-

\$

(137,334

)

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 loss, 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
)

Page 11 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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, 2019

Balance at beginning of period

\$
 83,339
 \$
 -
 \$
 83,339
 Tax effect of other comprehensive earnings
 (922
)
 -
 (922
)
 Balance at end of period
 \$
 82,417
 \$
 -
 \$
 82,417
 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

Six Months Ended June 30, 2019

Balance at beginning of period

\$

84,207

\$

-

\$

84,207

Tax effect of other comprehensive earnings

(1,790

)

-

(1,790

)

Balance at end of period

\$

82,417

\$

-

\$

82,417

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

Page 12 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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

2019

2018

2019

2018

comprehensive earnings

(Dollars in Thousands)

Pension and postretirement benefit

plans

Amortization of:

Prior service credit

\$

(184

)

\$

(400

)

\$

(396

)

\$

(985

)

Actuarial loss

3,832

3,069

7,670

6,308
3,648
2,669
7,274
5,323
Other nonoperating expense
and (income), net
Tax benefit
(922
)
(661
)
(1,790
)
(1,319
)
Income tax expense
\$
2,726
\$
2,008
\$
5,484
\$
4,004
Unamortized value of terminated
forward starting interest rate swap
Additional interest expense
\$
-
\$
111
\$
-
\$
458
Interest expense
Tax benefit
-
(41
)

-
 (178
)
 Income tax expense
 \$
 -
 \$
 70
 \$
 -
 \$
 280

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, 2019 and 2018, 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.

Page 13 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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,

2019

2018

2019

2018

(In Thousands)

Net earnings attributable to Martin Marietta
 Materials, Inc.

\$

189,475

\$
 185,377
 \$
 232,328
 \$
 195,400
 Less: Distributed and undistributed earnings
 attributable to unvested awards
 400
 317
 491
 378
 Basic and diluted net earnings available to common
 shareholders attributable to Martin Marietta
 Materials, Inc.
 \$
 189,075
 \$
 185,060
 \$
 231,837
 \$
 195,022
 Basic weighted-average common shares outstanding
 62,563
 63,021
 62,574
 62,989
 Effect of dilutive employee and director awards
 157
 264
 175
 264
 Diluted weighted-average common shares outstanding
 62,720
 63,285
 62,749
 63,253
 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. Freight revenues reflect delivery arranged by the Company using a third party on behalf of the customer and are recognized consistently with the timing of the product revenues.

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

Future revenues from unsatisfied performance obligations at June 30, 2019 and 2018 were \$ 177.9 million and \$ 129.0 million, respectively, where the remaining periods to complete these obligations ranged from one month to 18 months and one month to 13 months, respectively.

Page 14 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

Three Months Ended

June 30, 2019

Products and Services

Freight

Total

(Dollars in Thousands)

Mid-America Group

\$

382,717

\$

32,610

\$

415,327

Southeast Group

132,036

4,988

137,024

West Group

611,003

39,875

650,878

Total Building Materials Business

1,125,756

77,473

1,203,229
Magnesia Specialties
70,379
5,860
76,239
Total
\$
1,196,135
\$
83,333
\$
1,279,468
Three Months Ended
June 30, 2018
Products and Services
Freight
Total
(Dollars in Thousands)
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

Service revenues, which include paving operations located in Colorado, were \$ 71.0 million and \$ 69.6 million for the three months ended June 30, 2019 and 2018, respectively.

Page 15 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Six Months Ended

June 30, 2019

Products and Services

Freight

Total

(Dollars in Thousands)

Mid-America Group

\$

613,025

\$

51,115

\$

664,140

Southeast Group

247,348

8,914

256,262

West Group

1,074,514

73,194

1,147,708

Total Building Materials Business

1,934,887

133,223

2,068,110

Magnesia Specialties

139,553

10,760
150,313
Total
\$
2,074,440
\$
143,983
\$
2,218,423
Six Months Ended
June 30, 2018
Products and Services
Freight
Total
(Dollars in Thousands)
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

Service revenues for the six months ended June 30, 2019 and 2018 were \$ 81.0 million and \$ 80.7 million, 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, 2019

December 31, 2018

Costs in excess of billings

\$

9,452

\$

1,975

Billings in excess of costs

\$

9,088

\$

6,743

Revenues recognized from the beginning balance of contract liabilities for the three months ended June 30, 2019 and 2018 were \$ 4.8 million and \$ 4.1 million, respectively, and for the six months ended June 30, 2019 and 2018 were \$ 5.8 million and \$ 6.2 million, respectively.

Retainage, which primarily relates to the paving services, represents amounts that have been billed to customers but payment withheld until final acceptance by the customer of the performance obligation. Included on the Company's consolidated balance sheets, retainage was \$ 6.9 million and \$ 7.5 million at June 30, 2019 and December 31, 2018.

Page 16 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Warranties. The Company's construction contracts generally contain warranty provisions typically 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, 2019 and June 30, 2018.

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 .

Inventories, Net

June 30,

December 31,

2019

2018

(Dollars in Thousands)

Finished products

\$

604,654

\$

615,719

Products in process and raw materials

62,019

66,920

Supplies and expendable parts

140,409

139,566

807,082

822,205

Less: Allowances

(160,740

)

(159,170

)

Total

\$

646,342

\$

663,035

Page 17 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4 .

Long-Term Debt

June 30,

December 31,

2019

2018

(Dollars in Thousands)

4.25 % Senior Notes, due 2024

\$

396,697

\$

396,398

7 % Debentures, due 2025

124,319

124,272

3.450 % Senior Notes, due 2027

297,098

296,939

3.500 % Senior Notes, due 2027

495,011

494,765

6.25 % Senior Notes, due 2037

228,126

228,094

4.250 % Senior Notes, due 2047

591,626

591,541

Floating Rate Senior Notes, due 2019 , interest rate of 2.89 %

and 3.29 % at June 30, 2019 and December 31, 2018,

respectively

299,633

299,260

Floating Rate Senior Notes, due 2020 , interest rate of 3.17 % and

3.30 % at June 30, 2019 and December 31, 2018, respectively

299,323

298,956

Trade Receivable Facility, interest rate of 3.17 % and 3.07 % at

June 30, 2019 and December 31, 2018, respectively

385,000

390,000

Other notes

228

256

Total debt

3,117,061

3,120,481

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

(385,043

)

(390,042

)

Long-term debt

\$

2,732,018

\$

2,730,439

The Company, through a wholly-owned special-purpose subsidiary, has a \$ 400 million trade receivable securitization facility (the Trade Receivable Facility). 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. 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 Interbank 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 contains a cross-default provision to the Company's other debt agreements, matures on September 25, 2019.

The Company has a \$ 700 million five-year senior unsecured revolving facility (the Revolving Facility), which expires on December 5, 2023, 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. Borrowings under the Revolving Facility bear interest, at the Company's option, at rates based upon LIBOR or a base rate, plus, for each rate, a margin determined in accordance with a ratings-based pricing grid. There were no borrowings outstanding of the Revolving Facility at June 30, 2019 and December 31, 2018. 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

Page 18 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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 million, such reduction not to exceed \$ 200 million, for purposes of the covenant calculation. The Company was in compliance with this Ratio at June 30, 2019.

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 \$ 2.3 million of outstanding letters of credit issued under the Revolving Facility at June 30, 2019 and December 31, 2018.

The Floating Senior Rate Notes due 2019 and Floating Rate Senior Notes due 2020 are classified as noncurrent long-term debt on the consolidated balance sheets as of June 30, 2019 and December 31, 2018 as the Company has the intent and

ability to refinance the notes on a long-term basis under the Revolving Facility.

5 .

Financial Instruments

The Company's financial instruments include cash equivalents, accounts receivable, notes receivable, 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. No single customer accounted for 10 % or more of consolidated total revenues. 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.

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.

The carrying values and fair values of the Company's long-term debt were \$ 3.12 billion and \$ 3.17 billion, respectively, at June 30, 2019 and \$ 3.12 billion and \$ 3.01 billion, respectively, at December 31, 2018. The estimated fair value of the publicly-registered long-term notes was estimated based on Level 2 of the fair value hierarchy using quoted market prices. The estimated fair value of other borrowings approximate their carrying amounts as the interest rates reset periodically.

Page 19 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6 .

Income Taxes

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 permanent tax benefits associated with the statutory depletion deduction for mineral reserves. For the six months ended June 30, 2019, the lower effective income tax rate of 16.2 % is primarily attributable to a \$ 13.2 million discrete benefit from a change in the tax status of a subsidiary from a partnership to a corporation.

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.

7 .

Pension and Postretirement Benefits

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

Pension

Postretirement Benefits

Three Months Ended June 30,

2019

2018

2019

2018

(Dollars in Thousands)

Service cost

\$

7,617

\$

7,684

\$

14

\$

16

Interest cost

9,300

8,252

125

134

Expected return on assets

(11,824

)

(12,403

)

-

-

Amortization of:

Prior service cost (credit)

1

26

(185

)

(426

)

Actuarial loss (gain)

3,941

3,117

(109

)

(48

)

Net periodic benefit cost (credit)

\$

9,035

\$

6,676

\$

(155

)

\$

(324

)

Pension

Postretirement Benefits

Six Months Ended June 30,

2019

2018

2019

2018

(Dollars in Thousands)

Service cost

\$

15,422

\$

15,832

\$

48

\$

38

Interest cost

18,856

16,613

281

259

Expected return on assets

(23,930

)

(23,032

)

-

-

Amortization of:

Prior service cost (credit)

3

52

(399

)
 (1,037
)
 Actuarial loss (gain)
 7,918
 6,413
 (248
)
 (105
)
 Net periodic benefit cost (credit)
 \$
 18,269
 \$
 15,878
 \$
 (318
)
 \$
 (845
)

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. All other components are included in other nonoperating income, net, in the consolidated statements of earnings and comprehensive earnings.

Page 20 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8 .

Commitments and Contingencies

Legal and Administrative Proceedings

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

Borrowing Arrangements with Affiliate

The Company is a co-borrower with an unconsolidated affiliate for a \$ 15.5 million revolving line of credit agreement with BB&T, of which \$ 12.7 million was outstanding as of June 30, 2019 and has 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 \$ 6.0 million interest-only loan, due December 31, 2022 , outstanding from this unconsolidated affiliate as of June 30, 2019 and December 31, 2018. The interest rate is one-month LIBOR plus a current spread of 1.75 %.

Letters of Credit

In the normal course of business, the Company provides certain third parties with standby letter of credit agreements guaranteeing its payment for certain insurance claims, contract performance and permit requirements. At June 30, 2019, the Company was contingently liable for \$ 35.3 million in letters of credit, of which \$ 2.3 million were issued under the Company's Revolving Facility.

Employees

The Company maintains collective bargaining agreements relating to the union employees within the Building Materials business and Magnesia Specialties segment. Of the Magnesia Specialties segment, 100 % of its hourly employees are represented by labor unions. The Woodville collective bargaining agreement expires June 2022 . The Manistee collective bargaining agreement expires in August 2019 . While the Company's management believes that the existing agreement will be extended or renewed before the expiration, there can be no assurance that a successor agreement will be reached at the Manistee location.

9 .

Business Segments

The Building Materials business contains three reportable business segments: Mid-America Group, Southeast Group and West Group. The Company also has a Magnesia Specialties segment. The Company's evaluation of performance and allocation of resources are based primarily on earnings from operations. Consolidated earnings from operations include total revenues less cost of revenues; selling, general and administrative expenses; acquisition-related expenses, 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 are held at Corporate.

Page 21 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The following table displays selected financial data for the Company's reportable business segments. The Bluegrass Materials Company (Bluegrass) operations, acquired in April 2018, 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.

Three Months Ended

Six Months Ended

June 30,

June 30,

2019

2018

2019

2018

(Dollars in Thousands)

Total revenues :

Mid-America Group

\$

415,327

\$

350,592

\$

664,140

\$

529,373

Southeast Group

137,024

112,963

256,262

193,202

West Group

650,878

665,886

1,147,708

1,139,608

Total Building Materials Business

1,203,229

1,129,441

2,068,110

1,862,183

Magnesia Specialties

76,239

72,962

150,313

142,224

Total

\$

1,279,468

\$

1,202,403

\$

2,218,423

\$

2,004,407

Products and services revenues:

Mid-America Group

\$

382,717
\$
325,578
\$
613,025
\$
493,468
Southeast Group
132,036
109,082
247,348
186,646
West Group
611,003
625,960
1,074,514
1,068,943
Total Building Materials Business
1,125,756
1,060,620
1,934,887
1,749,057
Magnesia Specialties
70,379
68,157
139,553
133,025
Total
\$
1,196,135
\$
1,128,777
\$
2,074,440
\$
1,882,082
Earnings (Loss) from operations :
Mid-America Group
\$
141,678
\$

108,709
\$
172,633
\$
114,876
Southeast Group
32,688
32,052
53,822
34,093
West Group
110,223
122,844
130,158
157,796
Total Building Materials Business
284,589
263,605
356,613
306,765
Magnesia Specialties
25,219
21,329
47,862
42,565
Corporate
(23,926
)
(20,981
)
(49,372
)
(46,296
)
Total
\$
285,882
\$
263,953
\$
355,103

\$

303,034

June 30, 2019

December 31, 2018

Assets employed:

(Dollars in thousands)

Mid-America Group

\$

2,906,227

\$

2,788,454

Southeast Group

1,443,402

1,299,469

West Group

5,355,685

4,989,639

Total Building Materials Business

9,705,314

9,077,562

Magnesia Specialties

176,484

156,106

Corporate

281,859

317,751

Total

\$

10,163,657

\$

9,551,419

Page 22 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10.

Revenues and Gross Profit

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

mix asphalt plants have been reclassified from the asphalt and paving product line to the aggregates product line. These operations did not represent a material amount of product revenues and gross profit. Prior-year information has been reclassified to conform to the presentation of the Company's current reportable product lines.

Three Months Ended

Six Months Ended

June 30,

June 30,

2019

2018

2019

2018

(Dollars in Thousands)

Total revenues:

Building Materials Business:

Products and services:

Aggregates

\$

757,802

\$

666,966

\$

1,302,750

\$

1,094,139

Cement

112,350

113,148

211,367

202,331

Ready mixed concrete

241,178

277,202

452,335

495,738

Asphalt and paving services

82,198

81,482

94,570

95,692

Less: interproduct revenues

(67,772

)

(78,178
)
(126,135
)
(138,843
)

Products and services

1,125,756
1,060,620
1,934,887
1,749,057

Freight

77,473
68,821
133,223
113,126

Total Building Materials Business

1,203,229
1,129,441
2,068,110
1,862,183

Magnesia Specialties:

Products and services

70,379
68,157
139,553
133,025

Freight

5,860
4,805
10,760
9,199

Total Magnesia Specialties

76,239
72,962
150,313
142,224

Total

\$

1,279,468

\$

1,202,403

\$

2,218,423

\$

2,004,407

Gross profit (loss) :

Building Materials Business:

Products and services:

Aggregates

\$

251,422

\$

198,705

\$

349,482

\$

252,246

Cement

42,229

41,305

56,007

65,038

Ready mixed concrete

19,014

29,952

33,506

45,593

Asphalt and paving services

15,742

18,347

7,415

10,169

Products and services

328,407

288,309

446,410

373,046

Freight

227

598

63

480

Total Building Materials Business

328,634

288,907

446,473

373,526

Magnesia Specialties:

Products and services

29,212

24,870

55,819

49,933

Freight

(1,174

)

(1,028

)

(2,239

)

(2,203

)

Total Magnesia Specialties

28,038

23,842

53,580

47,730

Corporate

195

3,168

(279

)

5,053

Total

\$

356,867

\$

315,917

\$

499,774

\$

426,309

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11.

Leases

The Company has leases, primarily for equipment, railcars, fleet vehicles, office space, land and information technology equipment and software. The Company's leases have remaining lease terms of one year to 54 years, some of which may include options to extend the leases for up to 30 years , and some of which may include options to terminate the leases within one year .

Certain of the Company's lease agreements include payments based upon variable rates, including but not limited to hours used, tonnage processed and factors related to indices. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease cost are as follows:

Three Months Ended

Six Months Ended

June 30, 2019

June 30, 2019

(Dollars in Thousands)

Operating lease cost

\$

19,355

\$

39,336

Finance lease cost:

Amortization of right-of-use assets

636

1,570

Interest on lease liabilities

137

285

Variable lease cost

6,099

10,766

Short-term lease cost

8,142

16,260

Total lease cost

\$

34,369

\$

68,217

The balance sheet classifications of operating and finance leases are as follows:

June 30, 2019

(Dollars in Thousands)

Operating Leases:

Operating lease right-of-use assets

\$

487,360

Current operating lease liabilities

\$

51,011

Noncurrent operating lease liabilities

438,932

Total operating lease liabilities

\$

489,943

Finance Leases:

Property, plant and equipment

\$

10,829

Accumulated depreciation

(1,570

)

Property, plant and equipment, net

\$

9,259

Other current liabilities

\$

3,268

Other noncurrent liabilities

7,095

Total finance lease liabilities

\$

10,363

Page 24 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The estimated incremental borrowing rate range used was 3.5 % to 5.5 %. Weighted-average remaining lease terms and discount rates are as follows:

June 30, 2019

Weighted-average remaining lease term (years):

Operating leases

14.9

Finance leases

8.4

Weighted-average discount rate:

Operating leases

4.3

%

Finance leases

5.1

%

Future lease payments under leases as of June 30, 2019 are as follows:

Operating

Finance

Leases

Leases

(Dollars in Thousands)

2019

\$

35,493

\$

1,906

2020

65,623

3,196

2021

53,662

1,951

2022

49,131

1,094

2023

46,313

779

Thereafter

432,382

4,177

Total lease payments

682,604

13,103

Less: imputed interest

(192,661

)

(2,740

)

Present value of lease payments

489,943

10,363

Less: current lease obligations

(51,011

)

(3,268

)

Total long-term lease obligations

\$

438,932

\$

7,095

Other lease information is as follows:

June 30, 2019

(Dollars in Thousands)

Cash paid for amounts included in the measurement
of lease liabilities:

Operating cash flows used for operating leases

\$

38,532

Operating cash flows used for finance leases

\$

285

Financing cash flows used for finance leases

\$

1,820

Three Months Ended

Six Months Ended

June 30, 2019

June 30, 2019

(Dollars in Thousands)

Right-of-use assets obtained in exchange for new
operating lease liabilities

\$

5,803

\$

524,689

Right-of-use assets obtained in exchange for
new finance lease liabilities

\$

-

\$

217

Page 25 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Lease disclosures for the full year December 31, 2018, as reported:

Total lease expense for operating leases was \$ 122.5 million for the year ended December 31, 2018. Total royalties, principally for leased properties, were \$ 52.5 million, for the year ended December 31, 2018. The Company also has capital lease obligations for machinery and equipment. Future minimum lease and royalty commitments for all noncancelable agreements and capital lease obligations as of December 31, 2018 were as follows:

Capital

Leases

Operating Leases

Royalty Commitments

(Dollars in Thousands)

2019

\$

3,718

\$

105,955

\$

14,614

2020

2,695

70,478

11,364

2021

1,735

60,382

10,335

2022

1,004

57,531
 9,545
 2023
 713
 56,511
 8,109
 Thereafter
 3,893
 318,147
 65,981
 Total
 13,758
 \$
 669,004
 \$
 119,948
 Less: imputed interest
 (2,879
)
 Present value of minimum lease payments
 10,879
 Less: current capital lease obligations
 (3,249
)
 Long-term capital lease obligations
 \$
 7,630

1 2 .

Supplemental Cash Flow Information

Noncash investing and financing activities are as follows:

June 30,

2019

2018

(Dollars in Thousands)

Noncash investing and financing activities:

Accrued liabilities for purchases of property, plant and equipment

\$

18,745

\$

20,771

Acquisition of assets through swap

\$

1,114

\$

-

Receivable issued in connection with sale of property, plant
and equipment

\$

252

\$

-

Acquisition of assets through capital lease

\$

-

\$

449

Supplemental disclosures of cash flow information are as follows:

June 30,

2019

2018

(Dollars in Thousands)

Cash paid for interest

\$

65,923

\$

67,399

Cash paid for (refund of) income taxes

\$

8,009

\$

(2,244

)

Page 26 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13.

Bluegrass Acquisition

In April 2018, the Company acquired Bluegrass, the largest privately-held, pure-play aggregates company in the United States for \$ 1.62 billion. These operations complement the Company's existing southeastern footprint in its Mid-America and Southeast Groups and provide new growth platforms within Maryland and Kentucky.

The Company determined fair values of the assets acquired and liabilities assumed and the measurement period is closed as of April 2019. 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

25,479

Inventory

46,635

Other current assets

1,029

Property, plant and equipment

1,519,289

Intangible assets, other than goodwill

20,150

Goodwill

242,981

Total assets

1,856,722

Liabilities:

Accounts payable and accrued expenses

17,914

Deferred income tax liabilities, net

212,450

Noncontrolling interest

9,001

Total liabilities

239,365

Total consideration

\$

1,617,357

Total revenues and earnings from operations attributable to Bluegrass, included in the consolidated earnings statements, for three months ended June 30, 2019 were \$ 70,169,000 and \$ 23,628,000 , respectively, and for the six months ended June 30, 2019 were \$ 116,633,000 and \$ 28,307,000 , respectively. Total revenues and earnings from operations attributable to Bluegrass in 2018 for the three and six months ended June 30, 2018 were \$ 46,111,000 and \$ 6,611,000 , respectively.

The unaudited pro forma financial information summarizes the combined results of operations for the Company and Bluegrass as though the companies were combined as of January 1, 2017. 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, expenses related to the acquisition are considered to have been incurred for the year ended December 31, 2017. The pro forma financial information does 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 2017.

Page 27 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

The following presents pro forma results for the three and six months ended June 30, 2018:

Three Months Ended

Six Months Ended

(Dollars in Thousands, except per share data)

Total revenues

\$

1,218,904

\$

2,059,816

Net earnings attributable to Martin Marietta

\$

207,886

\$

216,756

Diluted EPS

\$

3.28

\$

3.43

14.

Other Operating Income, Net

Other operating income, net, for the quarter ended June 30, 2018 reflects a net gain on legal settlements of \$ 7.7 million and a gain on the sale of surplus land of \$ 16.9 million.

Page 28 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

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 in 27 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 Railcar

Truck, Railcar and Ship

Truck and Railcar

Page 29 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

(Continued)

The Company also has a Magnesia Specialties business that produces magnesia-based chemicals products used in

industrial, agricultural and environmental applications and dolomitic lime sold primarily to customers in the steel and mining industry.

CRITICAL ACCOUNTING POLICIES

The Company outlined its critical accounting policies in its Annual Report on Form 10-K for the year ended December 31, 2018. There were no changes to the Company's critical accounting policies during the six months ended June 30, 2019.

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. Due to 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, the noncash earnings/loss from nonconsolidated equity affiliates, acquisition-related expenses, net, and the impact of selling acquired inventory after its markup to fair value as part of acquisition accounting (Adjusted EBITDA) is a financial indicator of a company's ability to service and/or incur indebtedness. Adjusted 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 Adjusted 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 Adjusted EBITDA excludes some, but not all, items that affect net earnings and may vary among companies, Adjusted EBITDA as presented by the Company may not be comparable to similarly titled measures of other companies.

Page 30 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

(Continued)

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

Three Months Ended

Six Months Ended

June 30,

June 30,

2019

2018 (1)

2019

2018 (1)

(Dollars in thousands)

Net Earnings Attributable to Martin Marietta

Materials, Inc.

\$

189,475

\$	
185,377	
\$	
232,328	
\$	
195,400	
Add back:	
Interest expense	
33,199	
32,971	
66,045	
68,059	
Income tax expense for controlling interests	
49,878	
52,581	
44,876	
55,018	
Depreciation, depletion and amortization and earnings/loss from nonconsolidated equity affiliates	
105,915	
82,874	
193,449	
155,883	
Bluegrass acquisition-related expenses, net	
-	
12,126	
-	
12,836	
Impact of selling acquired inventory after markup to fair value as part of acquisition accounting	
-	
10,167	
-	
10,167	
Consolidated Adjusted EBITDA	
\$	
378,467	
\$	
376,096	
\$	

536,698

\$

497,363

(1)

The Company modified its calculation of Adjusted EBITDA in 2019. 2018 amounts have been calculated consistently with the 2019 presentation.

Significant items for the quarter ended June 30, 2019 (unless noted, all comparisons are versus the prior-year quarter):

Consolidated total revenues of \$1.28 billion compared with \$1.20 billion, an increase of 6%

Building Materials business products and services revenues of \$1.13 billion compared with \$1.06 billion and Magnesia Specialties products revenue of \$70.4 million compared with \$68.2 million

Consolidated gross profit of \$356.9 million compared with \$315.9 million, an increase of 13%

Consolidated earnings from operations of \$285.9 million compared with \$264.0 million

Net earnings attributable to Martin Marietta of \$189.5 million compared with \$185.4 million

Consolidated Adjusted EBITDA of \$378.5 million compared with \$376.1 million

Earnings per diluted share of \$3.01 compared with \$2.92

Page 31 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

The following table s present 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, 2019 and 2018 . In each case, the data is stated as a percentage of revenues of the Company or the relevant segment or product line, as the case may be. The Company's two cold mix asphalt plants have been reclassified from the asphalt and paving product line to the aggregates product line as they display characteristics more similar to aggregates than asphalt products . These operations did not represent a material amount of product revenues or gross profit. Prior-year information has been reclassified to conform to the presentation of the Company's current reportable product lines.

Three Months Ended June 30,

2019

2018

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Total revenues:

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$	
382,717	
100.0	
\$	
325,578	
100.0	
Southeast Group	
Aggregates	
132,036	
100.0	
109,082	
100.0	
West Group	
Aggregates	
243,049	
100.0	
232,306	
100.0	
Cement	
112,350	
100.0	
113,148	
100.0	
Ready mixed concrete	
241,178	
100.0	
277,202	
100.0	
Asphalt and paving	
82,198	
100.0	
81,482	
100.0	
Less: Interproduct revenues	
(67,772	
)	
(78,178	
)	
West Group Total	
611,003	
100.0	

625,960

100.0

Products and services

1,125,756

100.0

1,060,620

100.0

Freight

77,473

68,821

Total Building Materials Business

1,203,229

100.0

1,129,441

100.0

Magnesia Specialties Business:

Products

70,379

100.0

68,157

100.0

Freight

5,860

4,805

Total Magnesia Specialties Business

76,239

100.0

72,962

100.0

Total

\$

1,279,468

100.0

\$

1,202,403

100.0

Page 32 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

(Continued)

Three Months Ended June 30,

2019

2018

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Gross profit (loss):

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

155,474

40.6

\$

120,821

37.1

Southeast Group

Aggregates

38,023

28.8

20,070

18.4

West Group

Aggregates

57,925

23.8

57,814

24.9

Cement

42,229

37.6

41,305

36.5

Ready mixed concrete

19,014

7.9	
29,952	
10.8	
Asphalt and paving	
15,742	
19.2	
18,347	
22.5	
West Group Total	
134,910	
22.1	
147,418	
23.6	
Products and services	
328,407	
29.2	
288,309	
27.2	
Freight	
227	
598	
Total Building Materials Business	
328,634	
27.3	
288,907	
25.6	
Magnesia Specialties Business:	
Products	
29,212	
41.5	
24,870	
36.5	
Freight	
(1,174	
)	
(1,028	
)	
Total Magnesias Specialties Business	
28,038	
36.8	
23,842	

32.7

Corporate

195

3,168

Total

\$

356,867

27.9

\$

315,917

26.3

Page 33 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

(Continued)

Three Months Ended June 30,

2019

2018

Amount

% of

Revenues

Amount

% of

Revenues

(Dollars in Thousands)

Selling, general & administrative expenses:

Building Materials Business:

Mid-America Group

\$

15,542

\$

14,016

Southeast Group

5,376

4,833

West Group

27,717

27,161
 Total Building Materials Business
 48,635
 46,010
 Magnesia Specialties
 2,796
 2,505
 Corporate
 20,951
 22,555
 Total
 \$
 72,382
 5.7
 \$
 71,070
 5.9
 Earnings (Loss) from operations:
 Building Materials Business:
 Mid-America Group
 \$
 141,678
 \$
 108,709
 Southeast Group
 32,688
 32,052
 West Group
 110,223
 122,844
 Total Building Materials Business
 284,589
 263,605
 Magnesia Specialties
 25,219
 21,329
 Corporate
 (23,926
)
 (20,981
)

Total

\$

285,882

22.3

\$

263,953

22.0

Page 34 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

(Continued)

Building Materials Business

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

Three Months Ended

June 30, 2019

Volume

Pricing

Volume/Pricing variance (1)

Mid-America Group

15.9

%

1.6

%

Southeast Group

12.7

%

7.3

%

West Group

1.1

%

3.4

%

Total Aggregates Operations (2)

9.9

%

3.4

%

Three Months Ended

June 30,

2019

2018

(Tons in Thousands)

Shipments

Mid-America Group

27,624

23,843

Southeast Group

7,228

6,411

West Group

18,301

18,106

Total Aggregates Operations (2)

53,153

48,360

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

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

Second-quarter aggregates volume and pricing improved 9.9% and 3.4%, respectively. On a same-store basis, second-quarter 2019 aggregates volume and pricing improved 6.1% and 4.1%, respectively. The Company may exclude the operating results of recently acquired businesses that do not have comparable results in the periods being discussed; therefore, the Company may present results on a same-store concept. This approach allows management and investors to evaluate the performance of the Company's operations on a comparable basis without the effects of acquisition activity. The Company's same-store information may not be comparable with similar measures used by other companies. Shipments for the Mid-America Group operations increased 15.9% supported by infrastructure and commercial projects. Additionally, the Midwest Division benefited from shipments related to emergency flood repairs. Pricing improved 1.6%. Shipments for the Southeast Group operations increased 12.7% reflecting the strength of the North Georgia and Florida markets. Pricing improved 7.3% driven by solid gains in North Georgia and a higher percentage of long-haul shipments. West Group shipments increased 1.1% despite unfavorable weather that contributed to project delays. West Group pricing increased 3.4%.

Aggregates shipments to the infrastructure market increased 2% as contractors continued to advance transportation-related projects. Following more than a decade of underinvestment, management believes infrastructure demand is poised for meaningful growth. Funding provided by the Fixing America's Surface Transportation Act (FAST Act), combined with numerous state and local transportation initiatives, has recently accelerated lettings and contract awards in key states, including Texas, Colorado, Iowa and Maryland. For the quarter, the infrastructure market represented 37% of aggregates shipments, which is below the Company's most recent ten-year average of 46%.

Page 35 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

Aggregates shipments to the nonresidential market increased 25 % , driven by gains in commercial and heavy industrial construction activity. The Company continued to benefit from robust distribution center, warehouse, data center and wind turbine projects in key geographies, including Texas, the Carolinas , Georgia and Iowa, as well as the early phases of several large energy-sector projects along the Gulf Coast. The nonresidential market represented 37 % of second-quarter aggregates shipments.

Aggregates shipments to the residential market increased modestly, as ongoing homebuilding activity in the Carolinas, Georgia and Florida was offset by weather-related delays in Texas. 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, low interest rates and efficient permitting. On a national level, housing starts remain below the 50-year annual average of 1.5 million despite notable population gains. The residential market accounted for 21% of second-quarter aggregates shipments.

The ChemRock/Rail market accounted for the remaining 5% of second-quarter aggregates shipments. Volumes to this end use increased 11%, driven by improved ballast shipments to the western Class I railroads for emergency flood repairs.

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

Three Months Ended

June 30,

2019

2018

% Change

Aggregates (per ton)

\$

14.18

\$

13.72

3.4

%

Cement (per ton)

\$

114.17

\$

109.11

4.6

%

Ready Mixed Concrete (per cubic yard)

\$

109.36

\$

106.65

2.5

%

Asphalt (per ton)

\$

47.22

\$

44.89

5.2

%

Page 36 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

(Continued)

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

Three Months Ended

June 30,

2019

2018

Shipments

Aggregates (in thousands):

Tons to external customers

50,491

45,231

Internal tons used in other product lines

2,662

3,129

Total aggregates tons

53,153

48,360

Cement (in thousands):

Tons to external customers

689

653

Internal tons used in ready mixed concrete

289

375

Total cement tons

978

1,028

Ready Mixed Concrete (in thousands of cubic yards)

2,162

2,559

Asphalt (in thousands):

Tons to external customers

218

252

Internal tons used in paving business

596

635

Total asphalt tons

814

887

Cement pricing increased 4.6% while shipments declined 4.9% due to extreme precipitation, most notably in Dallas/Fort Worth. Downstream shipments were negatively impacted by late winter weather in Colorado and wet conditions in Texas.

Ready mixed concrete shipments decreased 15.5%, driven by unfavorable weather conditions in Texas and Colorado. Ready mixed concrete selling prices improved 2.5%. Colorado asphalt shipments declined 8.2% while pricing improved 5.2%.

Magnesia Specialties Business

Magnesia Specialties product revenues increased 3.3% to a record \$70.4 million, compared with \$68.2 million, as the business continued to benefit from solid global demand for magnesia chemical products. Products gross profit was \$29.2 million compared with \$24.9 million. Product gross margin improved 500 basis points to 41.5% driven by favorable product mix, production efficiencies and lower energy costs. Earnings from operations were \$25.2 million compared with \$21.3 million.

Page 37 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

Gross Profit

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

Consolidated gross profit, quarter ended June 30, 2018

\$

315,917

Aggregates products:

Volume

32,941

Pricing

24,450

Operational performance (1)

(4,674

)

Change in aggregates products gross profit

52,717

Cement products and downstream products and services

(12,619

)

Magnesia Specialties products

4,342

Corporate

(2,973

)

Freight

(517

)

Change in consolidated gross profit

40,950

Consolidated gross profit, quarter ended June 30, 2019

\$

356,867

(1)

Inclusive of cost increases/decreases, product and geographic mix and other operating impacts

Aggregates product gross margin increased 340 basis points to 33.2%, reflecting improved operating leverage from increased shipment and production levels and the absence of the \$10.2 million impact of selling acquired inventory after its markup to fair value as part of acquisition accounting incurred in 2018. Second-quarter production efficiencies and lower maintenance costs contributed to the 110-basis-point expansion in cement product gross margin to 37.6%. The decline in ready mixed concrete and asphalt shipments slightly offset by pricing gains hindered gross profit for the downstream operations.

Consolidated Operating Results

Consolidated SG&A was 5.7% of total revenues compared with 5.9% in the prior-year quarter. Earnings from operations for the quarter were \$285.9 million in 2019 compared with \$264.0 million in 2018.

Among other items, other operating income and expenses, 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 \$1.4 million and \$31.2 million in 2019 and 2018, respectively. The 2018 amount reflects nonrecurring gains on the sale of surplus land of \$16.9 million and a net gain on litigation and related settlements of \$7.7 million.

Other nonoperating income and expenses, 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 expense of \$13.2 million in 2019 and income of \$7.1 million in 2018. The expense in 2019 is primarily due to a \$15.7 million (\$12.0 million net of tax) out-of-period correction of a Company-identified overstatement of the investment balance for a nonconsolidated equity affiliate.

Page 38 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

Significant items for the six months ended June 30, 2019 (unless noted, all comparisons are versus the prior-year period):

Consolidated total revenues of \$2.22 billion compared with \$2.00 billion, an increase of 11%

Building Materials business products and services revenues of \$1.93 billion compared with \$1.75 billion and Magnesia Specialties products revenue of \$139.6 million compared with \$133.0 million

Consolidated gross profit of \$499.8 million compared with \$426.3 million, an increase of 17%

Consolidated earnings from operations of \$355.1 million compared with \$303.0 million, an increase of 17%

Net earnings attributable to Martin Marietta of \$232.3 million compared with \$195.4 million

Consolidated Adjusted EBITDA of \$536.7 million compared with \$497.4 million

Earnings per diluted share of \$3.69 compared with \$3.08

The following tables present total revenues, gross profit (loss), SG&A expenses and earnings (loss) from operations data for the Company and its reportable segments by product line for the six months ended June 30, 2019 and 2018. In each case, the data is stated as a percentage of revenues of the Company or the relevant segment or product line, as the case may be. The Company's cold mix asphalt plants have been reclassified to the aggregates product line as they display characteristics more similar to aggregates than asphalt products. These operations were not material to product revenues or gross profit. Prior-year information has been reclassified to conform to the presentation of the Company's current reportable product lines.

Page 39 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

Six Months Ended June 30,

2019

2018

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Total revenues:

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

613,025

100.0

\$

493,468

100.0

Southeast Group

Aggregates

247,348

100.0

186,646

100.0

West Group

Aggregates

442,377

100.0

414,025

100.0

Cement

211,367

100.0

202,331

100.0

Ready mixed concrete

452,335

100.0

495,738

100.0

Asphalt and paving

94,570

100.0

95,692

100.0

Less: Interproduct revenues

(126,135

)

(138,843

)

West Group Total

1,074,514

100.0

1,068,943

100.0

Products and services

1,934,887

100.0

1,749,057

100.0
 Freight
 133,223
 113,126
 Total Building Materials Business
 2,068,110
 100.0
 1,862,183
 100.0
 Magnesia Specialties:
 Products
 139,553
 100.0
 133,025
 100.0
 Freight
 10,760
 9,199
 Total Magnesia Specialties Business
 150,313
 100.0
 142,224
 100.0
 Total
 \$
 2,218,423
 100.0
 \$
 2,004,407
 100.0

Page 40 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

Six Months Ended June 30,

2019

2018

Amount
% of Revenues
Amount
% of Revenues
(Dollars in Thousands)
Gross profit (loss):
Building Materials Business:
Products and services
Mid-America Group
Aggregates
\$
200,728
32.7
\$
139,200
28.2
Southeast Group
Aggregates
64,585
26.1
26,643
14.3
West Group
Aggregates
84,169
19.0
86,403
20.9
Cement
56,007
26.5
65,038
32.1
Ready mixed concrete
33,506
7.4
45,593
9.2
Asphalt and paving
7,415
7.8

10,169
10.6
West Group Total
181,097
16.9
207,203
19.4
Products and services
446,410
23.1
373,046
21.3
Freight
63
480
Total Building Materials Business
446,473
21.6
373,526
20.1
Magnesia Specialties:
Products
55,819
40.0
49,933
37.5
Freight
(2,239
)
(2,203
)
Total Magnesia Specialties Business
53,580
35.6
47,730
33.6
Corporate
(279
)
5,053
Total

\$

499,774

22.5

\$

426,309

21.3

Selling, general & administrative expenses:

Building Materials Business:

Mid-America Group

\$

31,135

\$

27,146

Southeast Group

10,753

9,249

West Group

56,995

53,293

Total Building Materials Business

98,883

89,688

Magnesia Specialties

5,662

5,107

Corporate

46,129

46,396

Total

\$

150,674

6.8

\$

141,191

7.0

Page 41 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

Six Months Ended June 30,

2019

2018

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Thousands)

Earnings (Loss) from operations:

Building Materials Business:

Mid-America Group

\$

172,633

\$

114,876

Southeast Group

53,822

34,093

West Group

130,158

157,796

Total Building Materials Business

356,613

306,765

Magnesia Specialties

47,862

42,565

Corporate

(49,372

)

(46,296

)

Total

\$

355,103

16.0

\$

303,034

15.1

Building Materials Business

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

Six Months Ended

June 30, 2019

Volume

Pricing

Volume/Pricing Variance (1)

Mid-America Group

23.2

%

0.6

%

Southeast Group

25.8

%

5.2

%

West Group

3.5

%

3.2

%

Total Aggregates Operations (2)

15.4

%

3.0

%

Six Months Ended

June 30,

2019

2018

(Tons in Thousands)

Shipments

Mid-America Group

43,491

35,315

Southeast Group

13,610

10,816

West Group

33,432

32,303

Total Aggregates Operations (2)

90,533

78,434

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

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

Page 42 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

(Continued)

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

Six Months Ended

June 30,

2019

2018

% Change

Aggregates (per ton)

\$

14.28

\$

13.86

3.0

%

Cement (per ton)

\$

112.63

\$

108.10

4.2

%

Ready Mixed Concrete (per cubic yard)

\$

108.17

\$

106.51

1.6

%

Asphalt (per ton)

\$

47.08

\$

44.80

5.1

%

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

Six Months Ended

June 30,

2019

2018

Shipments

Aggregates (in thousands):

Tons to external customers

85,841

73,162

Internal tons used in other product lines

4,692

5,272

Total aggregates tons

90,533

78,434

Cement (in thousands):

Tons to external customers

1,278

1,180

Internal tons used in ready mixed concrete

585

673

Total cement tons

1,863

1,853

Ready Mixed Concrete (in thousands of cubic yards)

4,094

4,567

Asphalt (in thousands):

Tons to external customers

265

313

Internal tons used in paving business

647

711

Total asphalt tons

912

1,024

Magnesia Specialties Business

For the six months ended June 30, 2019, Magnesia Specialties reported product revenues of \$139.6 million, an increase of 4.9%, compared with \$133.0 million. Products gross profit was \$55.8 million compared with \$49.9 million. Product gross margin improved 250 basis points to 40.0%. Earnings from operations were \$47.9 million compared with \$42.6 million.

Page 43 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

Gross Profit

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

Consolidated gross profit, six months ended June 30, 2018

\$

426,309

Aggregates products:

Volume

78,523

Pricing

38,024

Operational performance (1)

(19,311

)

Change in aggregates products gross profit

97,236

Cement products and downstream products and services

(23,872

)

Magnesia Specialties products

5,886

Corporate

(5,332

)

Freight

(453

)

Change in consolidated gross profit

73,465

Consolidated gross profit, six months ended June 30, 2019

\$

499,774

(1)

Inclusive of cost increases/decreases, product and geographic mix and other operating impacts

For the six months ended June 30, 2019 aggregates product gross margin increased 370 basis points to 26.8%, reflecting improved operating leverage from increased shipment and production levels and the absence of the \$10.2 million impact of selling acquired inventory after its markup to fair value as part of acquisition accounting incurred in 2018. Shipment declines and higher maintenance costs for the six months ended June 30, 2019 attributed to a cement product gross margin decline to 26.5%.

Consolidated Operating Results

For the six months ended June 30, consolidated SG&A was 6.8% of total revenues in 2019 compared with 7.0% in 2018. Earnings from operations for the six months ended June 30 were \$355.1 million in 2019 compared with \$303.0 million in 2018.

Among other items, other operating income and expenses, 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 six months ended June 30, consolidated other operating income and expenses, net, was income of \$6.2 million and \$30.8 million in 2019 and 2018, respectively. The 2019 amount reflects the reversal of a \$4.2 million purchase accounting accrual related to the Texas Industries, Inc. acquisition and higher gains on the sales of assets. The 2018 amount reflects nonrecurring gains on the sale of surplus land of \$16.9 million and net gain on litigation and related settlements of \$7.7 million.

Other nonoperating income and expenses, 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 six months ended June 30, other nonoperating income and expenses, net, was an expense of \$11.7 million in 2019 and income of \$15.6 million in 2018. The expense in 2019 includes a \$15.7 million (\$12.0 million net of tax) out-of-period correction of a Company-identified overstatement of the investment balance for a nonconsolidated equity affiliate.

Page 44 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

Income Tax Benefit

For the six months ended June 30, 2019, the effective income tax rate includes a \$13.2 million discrete benefit from a change in the tax status of a subsidiary from a partnership to a corporation .

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities for the six months ended June 30 was \$333.7 million in 2019 compared with \$238.0 million in 2018. 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,

2019

2018

(Dollars in Thousands)

Depreciation

\$

155,686

\$

143,218

Depletion

16,006

11,124

Amortization

10,294

9,203

Total

\$

181,986

\$

163,545

The seasonal nature of construction activity impacts the Company's quarterly operating cash flow when compared with the full year. Full-year 2018 net cash provided by operating activities was \$705.1 million.

During the six months ended June 30, 2019, the Company paid \$207.5 million for capital investments. Full-year capital spending is expected to range from \$350 million to \$400 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 repurchased 232,411 shares of common stock during second quarter 2019, at an aggregate cost of \$50.0 million. At June 30, 2019, 13,915,340 shares of common stock were remaining under the Company's repurchase authorization. Future share repurchases are at the discretion of management.

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 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. Additionally,

Page 45 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

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, 2019, the Company's ratio of consolidated debt-to-consolidated EBITDA, as defined by the Company's Revolving Facility, for the trailing-twelve months was 2.68 times and was calculated as follows:

July 1, 2018 to

June 30, 2019

(Dollars in thousands)

Earnings from continuing operations attributable to Martin Marietta

\$

506,926

Add back:

Income tax expense

95,494

Interest expense

135,255

Depreciation, depletion and amortization expense

371,191

Stock-based compensation expense

34,405

Acquisition-related expenses, net

9,082

Noncash portion of restructuring expenses

16,970

Deduct:

Interest income

(480

)

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

\$

1,168,843

Consolidated net debt, as defined and including debt for which the
Company is a co-borrower, at June 30, 2019

\$

3,129,756

Consolidated debt-to-consolidated EBITDA, as defined by the Company's
Revolving Facility, at June 30, 2019 for the trailing-twelve months EBITDA

2.68 times

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

Cash on hand, along with the Company's projected internal cash flows and availability of financing resources, including its access to debt and equity capital markets, is expected to continue to be sufficient to provide the capital resources necessary to support anticipated operating needs, cover debt service requirements, address near-term debt maturities, meet capital expenditures and discretionary investment needs, fund certain acquisition opportunities that may arise, allow the repurchase of shares of the Company's common stock and allow for payment of dividends for the foreseeable future. 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, 2019, the Company had \$712.7 million of unused borrowing capacity under its Revolving Facility and Trade Receivable Facility, subject to complying with the related leverage covenant. The Revolving Facility and Trade Receivable Facility expire on December 5, 2023 and September 25, 2019, respectively. The Company has \$300 million of floating rate senior notes due in

Page 46 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

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

Second Quarter Ended June 30, 2019

(Continued)

December 2019 and \$300 million of floating rate senior notes due in May 2020. Both notes are classified as long-term on the Company's June 30, 2019 balance sheet as the Company has the intent and ability to refinance the notes on a long-term basis under the Revolving Facility.

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, 2018. Management continues to evaluate its exposure to all operating risks on an ongoing basis.

OUTLOOK

The Company's geographic footprint has attractive underlying market fundamentals, including notable employment gains, population growth and superior state fiscal health - all attributes promoting steady and sustainable construction growth. Supported by robust underlying demand and third-party forecasts, the Company is raising its full-year guidance based on its belief that the current construction cycle will continue for the foreseeable future and expand further this year for each of the Company's three primary construction end-use markets.

Based on current trends and expectations, management's guidance on aggregates shipments by end-use market compared with 2018 levels are as follows:

-

Infrastructure shipments to increase in the high-single digits.

-

Nonresidential shipments to experience a double-digit increase.

-

Residential shipments to increase in the mid-single digits.

-

ChemRock/Rail shipments to be up slightly.

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;

Page 47 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

(Continued)

shipment declines resulting from economic events beyond the Company's control; a 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, Colorado, North Carolina, Georgia, Iowa and Maryland; the United States Congress' inability to reach agreement among themselves or with the current Administration on policy issues that impact the federal budget; the ability of states and/or other entities to finance approved projects either with tax revenues or alternative financing structures; levels of construction spending in the markets the Company serves; 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 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, product and/or geographic mix 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 Magnesite 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, 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 magnesite chemicals to the Company's plant in Manistee, Michigan and its customers; increased transportation costs, including increases from higher or fluctuating passed-through energy costs or fuel surcharges, and other costs to comply with tightening regulations, as well as higher

volumes of rail and water shipments; availability of trucks and licensed drivers for transport of the Company's materials; availability and cost of construction equipment in the United States; weakening in the steel industry markets served by the Company's dolomitic lime products; a trade dispute with one or more nations impacting the U.S. economy, including the impact of tariffs on the steel industry; unplanned changes in costs or realignment of customers that introduce volatility to earnings, including that of the Magnesia Specialties business that is running at capacity; proper functioning of information technology and automated operating systems to manage or support operations; inflation and its effect on both production and interest costs; the concentration of customers in construction markets and the 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 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; continued 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; and other risk factors listed from time to time found in the Company's filings with the SEC.

Page 48 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter June 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2019

(Continued)

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

Page 49 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

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 did not change interest rates during the quarter ended June 30, 2019. The federal funds rate at June 30, 2019 was 2.4%. The residential construction market accounted for 22% of the Company's aggregates product line shipments in 2018.

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, 2019, the Company had a \$700 million Revolving Facility 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 \$985 million, which was the collective outstanding balance at June 30, 2019, would increase interest expense by \$9.9 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, 2018.

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 2019 coal requirements. Energy costs for the six months ended June 30, 2019 increased approximately 0.6% over the prior-year period. A hypothetical 0.6% change in the Company's energy prices for the full year 2019 as compared with 2018, assuming constant volumes, would change full year 2019 energy expense by \$1.7 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 2019 of \$420 million to \$450 million, a hypothetical 10% change in sales price would impact net sales by \$42.0 million to \$45.0 million.

Page 50 of 54

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

For the Quarter Ended June 30, 2019

(Continued)

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As of June 30, 2019, 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, 2019. 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.

Page 51 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

PART II- OTHER INFORMATION

Item 1. Legal Proceedings.

Certain legal proceedings in which we are involved are discussed in Note O to the consolidated financial statements and Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2018. See also Note 8 Commitments and Contingencies, Legal and Administrative Proceedings, of this Form 10-Q.

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, 2018.

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, 2019 - April 30, 2019

-

\$

-

-

14,147,751

May 1, 2019 - May 31, 2019

228,084

\$

215

228,084

13,919,667

June 1, 2019 - June 30, 2019

4,327

\$

214

4,327

13,915,340

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.

Page 52 of 54

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2019

PART II- OTHER INFORMATION

(Continued)

Item 6. Exhibits.

Exhibit No.

Document

10.01

Offer Letter, dated as of January 11, 2019, by and between Martin Marietta Materials, Inc. and Robert J. Cardin

31.01

Certification dated July 31, 2019 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 31, 2019 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 31, 2019 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 31, 2019 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

Page 53 of 54

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 31, 2019

By:

/s/ James A. J. Nickolas

James A. J. Nickolas

Sr. Vice President and

Chief Financial Officer

Page 54 of 54