

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, 2020

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, former address and former fiscal year, if changes since last report: None

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 21, 2020

Common Stock, \$0.01 par value

62,268,855

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
(UNAUDITED) CONSOLIDATED BALANCE SHEETS

June 30,

December 31,

2020

2019

(Dollars in Millions, Except Par Value Data)

ASSETS

Current Assets:

Cash and cash equivalents

\$

70.1

\$

21.0

Accounts receivable, net

690.4

573.7

Inventories, net

712.9

690.8

Other current assets

113.7
141.2
Total Current Assets
1,587.1
1,426.7
Property, plant and equipment
8,737.8
8,633.5
Allowances for depreciation, depletion and amortization
(3,577.3
)
(3,427.5
)
Net property, plant and equipment
5,160.5
5,206.0
Goodwill
2,397.5
2,396.8
Other intangibles, net
481.0
486.8
Operating lease right-of-use assets, net
468.0
481.9
Other noncurrent assets
132.5
133.4
Total Assets
\$
10,226.6
\$
10,131.6
LIABILITIES AND EQUITY
Current Liabilities:
Accounts payable
\$
197.2
\$
229.6
Accrued salaries, benefits and payroll taxes

43.4	
56.7	
Accrued insurance and other taxes	
58.2	
63.1	
Current maturities of long-term debt and short-term facilities	
130.0	
340.0	
Operating lease liabilities	
51.4	
52.7	
Other current liabilities	
115.1	
96.4	
Total Current Liabilities	
595.3	
838.5	
Long-term debt	
2,624.5	
2,433.6	
Deferred income taxes, net	
741.2	
733.0	
Noncurrent operating lease liabilities	
420.7	
433.9	
Other noncurrent liabilities	
351.3	
339.3	
Total Liabilities	
4,733.0	
4,778.3	
Equity:	
Common stock, par value \$ 0.01 per share	
0.6	
0.6	
Preferred stock, par value \$ 0.01 per share	
-	
-	
Additional paid-in capital	

3,431.0
3,418.8
Accumulated other comprehensive loss
(142.2
)
(145.8
)

Retained earnings
2,201.7
2,077.2
Total Shareholders' Equity

5,491.1
5,350.8
Noncontrolling interests

2.5
2.5
Total Equity

5,493.6
5,353.3
Total Liabilities and Equity

\$
10,226.6
\$
10,131.6

See accompanying notes to the consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS
Three Months Ended

Six Months Ended

June 30,

June 30,

2020

2019

2020

2019

(In Millions, Except Per Share Data)

Products and services revenues

\$
1,189.5
\$

1,196.1	
\$	
2,080.5	
\$	
2,074.4	
Freight revenues	
81.1	
83.4	
148.4	
144.0	
Total Revenues	
1,270.6	
1,279.5	
2,228.9	
2,218.4	
Cost of revenues - products and services	
807.4	
838.3	
1,554.8	
1,572.5	
Cost of revenues - freight	
82.7	
84.3	
151.2	
146.1	
Total Cost of Revenues	
890.1	
922.6	
1,706.0	
1,718.6	
Gross Profit	
380.5	
356.9	
522.9	
499.8	
Selling, general & administrative expenses	
71.2	
72.4	
149.9	
150.7	
Acquisition-related expenses	

0.5	
-	
0.8	
0.2	
Other operating expenses and (income), net	
2.4	
(1.4	
)	
8.0	
(6.2	
)	
Earnings from Operations	
306.4	
285.9	
364.2	
355.1	
Interest expense	
31.2	
33.3	
61.0	
66.2	
Other nonoperating (income) and expenses, net	
(3.8	
)	
13.2	
(1.9	
)	
11.7	
Earnings before income tax expense	
279.0	
239.4	
305.1	
277.2	
Income tax expense	
61.4	
49.9	
61.6	
44.9	
Consolidated net earnings	
217.6	
189.5	

243.5

232.3

Less: Net earnings attributable to noncontrolling
interests

-

-

-

-

Net Earnings Attributable to Martin Marietta Materials, Inc.

\$

217.6

\$

189.5

\$

243.5

\$

232.3

Consolidated Comprehensive Earnings:

Earnings attributable to Martin Marietta Materials, Inc.

\$

220.8

\$

192.5

\$

247.1

\$

238.6

Earnings attributable to noncontrolling interests

-

-

-

-

\$

220.8

\$

192.5

\$

247.1

\$

238.6

Net Earnings Attributable to Martin Marietta Materials, Inc.

Per Common Share:

Basic attributable to common shareholders

\$

3.49

\$

3.02

\$

3.91

\$

3.71

Diluted attributable to common shareholders

\$

3.49

\$

3.01

\$

3.90

\$

3.69

Weighted-Average Common Shares Outstanding:

Basic

62.3

62.6

62.3

62.6

Diluted

62.3

62.7

62.4

62.7

See accompanying notes to the consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended

June 30,

2020

2019

(Dollars in Millions)

Cash Flows from Operating Activities:

Consolidated net earnings

\$	
243.5	
\$	
232.3	
Adjustments to reconcile consolidated net earnings to net cash	
provided by operating activities:	
Depreciation, depletion and amortization	
193.4	
182.0	
Stock-based compensation expense	
19.7	
22.3	
Gain on divestitures and sales of assets	
(3.1	
)	
(3.9	
)	
Deferred income taxes	
6.6	
(6.4	
)	
Other items, net	
1.2	
14.9	
Changes in operating assets and liabilities, net of effects of	
acquisitions and divestitures:	
Accounts receivable, net	
(117.4	
)	
(187.1	
)	
Inventories, net	
(21.7	
)	
15.7	
Accounts payable	
(0.5	
)	
36.6	
Other assets and liabilities, net	
51.5	

27.3

Net Cash Provided by Operating Activities

373.2

333.7

Cash Flows from Investing Activities:

Additions to property, plant and equipment

(175.7

)

(207.4

)

Acquisitions, net

(2.3

)

-

Proceeds from divestitures and sales of assets

17.9

6.0

Investments in life insurance contracts, net

(6.2

)

0.5

Other investing activities, net

(4.5

)

(1.0

)

Net Cash Used for Investing Activities

(170.8

)

(201.9

)

Cash Flows from Financing Activities:

Borrowings of debt

618.0

165.0

Repayments of debt

(637.0

)

(170.0

)

Payments on financing leases

(1.6
)
 (1.8
)
 Debt issuance costs
 (1.7
)
 -
 Distributions to owners of noncontrolling interest
 -
 (0.6
)
 Repurchases of common stock
 (50.0
)
 (50.0
)
 Dividends paid
 (69.4
)
 (60.6
)
 Proceeds from exercise of stock options
 1.3
 7.1
 Shares withheld for employees' income tax obligations
 (12.9
)
 (12.2
)
 Net Cash Used for Financing Activities
 (153.3
)
 (123.1
)
 Net Increase in Cash and Cash Equivalents
 49.1
 8.7
 Cash and Cash Equivalents, beginning of period
 21.0
 44.9

Cash and Cash Equivalents, end of period

\$

70.1

\$

53.6

See accompanying notes to the consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

(UNAUDITED) CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(In Millions, Except Per Share Data)

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, 2020

62.2

\$

0.6

\$

3,423.1

\$

(145.4

)

\$

2,018.6

\$

5,296.9

\$

2.5

\$

5,299.4

Consolidated net earnings

-

-

-

-
217.6
217.6
-
217.6
Other comprehensive earnings,
net of tax
-
-
-
3.2
-
3.2
-
3.2
Dividends declared (\$ 0.55 per share)
-
-
-
-
(34.5
)
(34.5
)
-
(34.5
)
Issuances of common stock for stock
award plans
0.1
-
1.1
-
-
1.1
-
1.1
Shares withheld for employees'
income tax obligations
-
-

(0.4

)

-

-

(0.4

)

-

(0.4

)

Stock-based compensation expense

-

-

7.2

-

-

7.2

-

7.2

Balance at June 30, 2020

62.3

\$

0.6

\$

3,431.0

\$

(142.2

)

\$

2,201.7

\$

5,491.1

\$

2.5

\$

5,493.6

Balance at December 31, 2019

62.4

\$

0.6

\$

3,418.8

\$

(145.8

)

\$

2,077.2

\$

5,350.8

\$

2.5

\$

5,353.3

Consolidated net earnings

-

-

-

-

243.5

243.5

-

243.5

Other comprehensive earnings,

net of tax

-

-

-

3.6

-

3.6

-

3.6

Dividends declared (\$ 1.10 per share)

-

-

-

-

(69.0

)

(69.0

)

-

(69.0

)
Issuances of common stock for stock
award plans

0.1

-

5.6

-

-

5.6

-

5.6

Shares withheld for employees'
income tax obligations

-

-

(13.1

)

-

-

(13.1

)

-

(13.1

)

Repurchases of common stock

(0.2

)

-

-

-

(50.0

)

(50.0

)

-

(50.0

)

Stock-based compensation expense

-

-

19.7

-
-
19.7

-
19.7

Balance at June 30, 2020

62.3

\$

0.6

\$

3,431.0

\$

(142.2

)

\$

2,201.7

\$

5,491.1

\$

2.5

\$

5,493.6

See accompanying notes to the consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES
(UNAUDITED) CONSOLIDATED STATEMENTS OF TOTAL EQUITY (Continued)
(In Millions, Except Per Share Data)

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

62.6

\$

0.6

\$

3,406.5

\$

(140.3

)

\$

1,705.7

\$

4,972.5

\$

3.0

\$

4,975.5

Consolidated net earnings

-

-

-

-

189.5

189.5

-

189.5

Other comprehensive earnings,

net of tax

-

-

-

3.0

-

3.0

-

3.0

Dividends declared (\$ 0.48 per share)

-

-

-

-

(30.2

)

(30.2

)

-

(30.2

)
Issuances of common stock for stock
award plans

-

-

6.5

-

-

6.5

-

6.5

Shares withheld for employees'
income tax obligations

-

-

(5.1

)

-

-

(5.1

)

-

(5.1

)

Repurchases of common stock

(0.2

)

-

-

-

(50.0

)

(50.0

)

-

(50.0

)

Stock-based compensation expense

-

-

8.7

-

-

8.7

-

8.7

Distributions to owners of
noncontrolling interest

-

-

-

-

-

-

(0.6

)

(0.6

)

Balance at June 30, 2019

62.4

\$

0.6

\$

3,416.6

\$

(137.3

)

\$

1,815.0

\$

5,094.9

\$

2.4

\$

5,097.3

Balance at December 31, 2018

62.5

\$

0.6

\$

3,396.1

\$

(143.6

)

\$

1,693.3

\$

4,946.4

\$

3.0

\$

4,949.4

Consolidated net earnings

-

-

-

-

232.3

232.3

-

232.3

Other comprehensive earnings,

net of tax

-

-

-

6.3

-

6.3

-

6.3

Dividends declared (\$ 0.96 per share)

-

-

-

-

(60.6

)

(60.6

)

-

(60.6

)

Issuances of common stock for stock
award plans

0.1

-

10.5

-

-

10.5

-

10.5

Shares withheld for employees'
income tax obligations

-

-

(12.3

)

-

-

(12.3

)

-

(12.3

)

Repurchases of common stock

(0.2

)

-

-

-

(50.0

)

(50.0

)

-

(50.0

)

Stock-based compensation expense

-

-

22.3

-

-
22.3

-
22.3

Distributions to owners of
noncontrolling interest

-
-
-
-
-
-

(0.6
)
(0.6
)

Balance at June 30, 2019

62.4

\$

0.6

\$

3,416.6

\$

(137.3

)

\$

1,815.0

\$

5,094.9

\$

2.4

\$

5,097.3

See accompanying notes to the consolidated financial statements.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(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 approximately 300 quarries, mines and distribution yards in 27 states, Canada and The Bahamas. In the southwestern and western United States, Martin Marietta also provides cement and downstream products and services, namely, ready mixed concrete, asphalt and paving, 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.

Effective January 1, 2020, the Company moved the management of its one quarry in the state of Washington from the Mid-America Group to the West Group, resulting in an immaterial change to its reportable segments. 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

and West Virginia

Alabama, Florida, Georgia, southwestern South Carolina, Tennessee, Nova Scotia and The Bahamas

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

Product Lines

Aggregates

Aggregates

Aggregates, Cement, Ready Mixed Concrete, Asphalt and Paving

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

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. 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, 2019. 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, 2020 are not indicative of the results expected for other interim periods or the full year. The consolidated

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

balance sheet at December 31, 2019 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, 2019 .

The preparation of the Company's consolidated financial statements requires management to make certain estimates and assumptions about future events. As future events and their effects, including the impact of the coronavirus (COVID-19) pandemic and the related responses, cannot be fully determined with precision, actual results could differ significantly from estimates. Changes in estimates are reflected in the consolidated financial statements in the period in which the change in estimate occurs.

New Accounting Pronouncement

Credit Losses

Effective January 1, 2020, the Company adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (ASU 2016-13), which includes a current expected credit loss (CECL) model that requires an entity to estimate credit losses expected over the life of an exposure or pool of exposures based on historical information, current information and reasonable and supportable forecasts at the time the asset is recognized and is remeasured at each reporting period. ASU 2016-13 primarily relates to the Company's receivables, but the scope also includes retainage and contract assets related to its paving business. The adoption of ASU 2016-13 did not have a material impact on the Company's financial position or statement of earnings and comprehensive earnings. The Company amended its allowance for credit losses policy, which follows, for the implementation of ASU 2016-13.

The Company records an allowance for credit losses, which includes a provision for probable losses based on historical write-offs, adjusted for current conditions as deemed necessary, and a specific reserve for accounts deemed at risk. The allowance is the Company's estimate for receivables as of the balance sheet date that ultimately will not be collected. Any changes in the allowance are reflected in earnings in the period in which the change occurs. The Company writes-off accounts receivable when it becomes probable, based upon customer facts and circumstances, that such amounts will not be collected.

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; and foreign currency translation adjustments; 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,

2020

2019

2020

2019

(Dollars in Millions)

Net earnings attributable to Martin Marietta

\$

217.6

\$

189.5

\$

243.5

\$

232.3

Other comprehensive earnings, net of tax

3.2

3.0

3.6

6.3

Comprehensive earnings attributable to Martin

Marietta

\$

220.8

\$

192.5

\$

247.1

\$

238.6

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

(Dollars in Millions)

Pension and

Postretirement Benefit Plans

Foreign Currency

Accumulated

Other Comprehensive

Loss

Three Months Ended June 30, 2020

Balance at beginning of period

\$

(142.4

)

\$

(3.0

)

\$
 (145.4
)
 Other comprehensive earnings before reclassifications,
 net of tax
 -
 0.8
 0.8
 Amounts reclassified from accumulated other
 comprehensive loss, net of tax
 2.4
 -
 2.4
 Other comprehensive earnings, net of tax
 2.4
 0.8
 3.2
 Balance at end of period
 \$
 (140.0
)
 \$
 (2.2
)
 \$
 (142.2
)
 Three Months Ended June 30, 2019
 Balance at beginning of period
 \$
 (138.7
)
 \$
 (1.6
)
 \$
 (140.3
)
 Other comprehensive earnings before reclassifications,
 net of tax
 -

0.3

0.3

Amounts reclassified from accumulated other
comprehensive loss, net of tax

2.7

-

2.7

Other comprehensive earnings, net of tax

2.7

0.3

3.0

Balance at end of period

\$

(136.0

)

\$

(1.3

)

\$

(137.3

)

(Dollars in Millions)

Pension and

Postretirement Benefit Plans

Foreign Currency

Accumulated

Other Comprehensive

Loss

Six Months Ended June 30, 2020

Balance at beginning of period

\$

(144.9

)

\$

(0.9

)

\$

(145.8

)

Other comprehensive loss before
reclassifications, net of tax

-

(1.3

)

(1.3

)

Amounts reclassified from accumulated
other comprehensive loss, net of tax

4.9

-

4.9

Other comprehensive earnings (loss), net of tax

4.9

(1.3

)

3.6

Balance at end of period

\$

(140.0

)

\$

(2.2

)

\$

(142.2

)

Six Months Ended June 30, 2019

Balance at beginning of period

\$

(141.5

)

\$

(2.1

)

\$

(143.6

)

Other comprehensive earnings before
reclassifications, net of tax

-

0.8

0.8

Amounts reclassified from accumulated
other comprehensive loss, net of tax

5.5

-

5.5

Other comprehensive earnings, net of tax

5.5

0.8

6.3

Balance at end of period

\$

(136.0

)

\$

(1.3

)

\$

(137.3

)

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

Pension and Postretirement Benefit Plans

Three Months Ended

Six Months Ended

June 30,

June 30,

2020

2019

2020

2019

(Dollars in Millions)

Balance at beginning of period

\$

84.4

\$

83.3

\$

85.2

\$

84.2

Tax effect of other comprehensive earnings

(0.8

)

(0.9

)

(1.6

)

(1.8

)

Balance at end of period

\$

83.6

\$

82.4

\$

83.6

\$

82.4

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

2020

2019

2020

2019

comprehensive earnings

(Dollars in Millions)

Pension and postretirement

benefit plans

Amortization of:

Prior service credit

\$

-

\$
(0.2
)

\$
(0.1
)

\$
(0.4
)

Actuarial loss

3.2

3.8

6.6

7.7

3.2

3.6

6.5

7.3

Other nonoperating (income) and expenses, net

Tax benefit

(0.8
)

(0.9
)

(1.6
)

(1.8
)

Income tax expense

\$

2.4

\$

2.7

\$

4.9

\$

5.5

Earnings per Common Share

The numerator for basic and diluted earnings per common share is net earnings attributable to Martin Marietta 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, 2020 and 2019, the diluted per-share computations reflect the number of common shares outstanding to include the number of additional shares that would have been outstanding if the potentially dilutive common shares had been issued.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(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,

2020

2019

2020

2019

(In Millions)

Net earnings attributable to Martin Marietta

\$

217.6

\$

189.5

\$

243.5

\$

232.3

Less: Distributed and undistributed earnings

attributable to unvested awards

0.2

0.4

0.2

0.5

Basic and diluted net earnings available to common

shareholders attributable to Martin Marietta

\$

217.4

\$

189.1

\$

243.3

\$

231.8

Basic weighted-average common shares outstanding

62.3

62.6

62.3

62.6

Effect of dilutive employee and director awards

-

0.1

0.1

0.1

Diluted weighted-average common shares

outstanding

62.3

62.7

62.4

62.7

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 cost-to-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 21 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, 2020 and 2019 were \$ 202.7 million and \$ 177.9 million, respectively, where the remaining periods to complete these obligations ranged from one month to 14 months and one month to 18 months, respectively.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(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 .

Prior-year segment information has been reclassified to conform to the reporting structure change described in Note 1.

Three Months Ended

June 30, 2020

Products and Services

Freight

Total

(Dollars in Millions)

Mid-America Group

\$

362.9

\$

29.4

\$

392.3

Southeast Group

136.8

5.4

142.2

West Group

640.9

41.6

682.5

Total Building Materials Business

1,140.6

76.4

1,217.0

Magnesia Specialties

48.9

4.7

53.6

Total

\$

1,189.5

\$

81.1

\$

1,270.6

Three Months Ended

June 30, 2019

Products and Services

Freight

Total

(Dollars in Millions)

Mid-America Group

\$

381.9

\$

32.6

\$

414.5

Southeast Group

132.0

5.0

137.0

West Group

611.8

39.9

651.7

Total Building Materials Business

1,125.7

77.5

1,203.2

Magnesia Specialties

70.4

5.9

76.3

Total

\$

1,196.1

\$

83.4

\$

1,279.5

Service revenues, which include paving operations located in Colorado, were \$ 94.0 million and \$ 71.0 million for the three months ended June 30, 2020 and 2019, respectively.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Six Months Ended

June 30, 2020

Products and Services

Freight

Total

(Dollars in Millions)

Mid-America Group

\$

603.9

\$

49.2

\$

653.1

Southeast Group

253.7

9.7

263.4

West Group

1,114.1

79.0

1,193.1

Total Building Materials Business

1,971.7

137.9

2,109.6

Magnesia Specialties

108.8

10.5

119.3

Total

\$

2,080.5

\$

148.4

\$

2,228.9

Six Months Ended

June 30, 2019

Products and Services

Freight

Total

(Dollars in Millions)

Mid-America Group

\$	
611.5	
\$	
51.1	
\$	
662.6	
Southeast Group	
247.4	
8.9	
256.3	
West Group	
1,076.0	
73.2	
1,149.2	
Total Building Materials Business	
1,934.9	
133.2	
2,068.1	
Magnesia Specialties	
139.5	
10.8	
150.3	
Total	
\$	
2,074.4	
\$	
144.0	
\$	
2,218.4	

Service revenues for the six months ended June 30, 2020 and 2019 were \$ 108.5 million and \$ 81.0 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 Millions)

June 30, 2020

December 31, 2019

Costs in excess of billings

\$

7.2

\$

2.8

Billings in excess of costs

\$

9.9

\$

7.8

Revenues recognized from the beginning balance of contract liabilities for the three months ended June 30, 2020 and 2019 were \$ 4.1 million and \$ 4.8 million, respectively, and for the six months ended June 30, 2020 and 2019 were \$ 6.6 million and \$ 5.8 million, respectively.

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(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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 in other current assets on the Company's consolidated balance sheets, retainage was \$ 9.5 million and \$ 10.2 million at June 30, 2020 and December 31, 2019, respectively.

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,

2020

2019

(Dollars in Millions)

Finished products

\$

671.5

\$

643.6

Products in process

37.8

41.9

Raw materials

36.7

32.4

Supplies and expendable parts

144.9

141.5	
890.9	
859.4	
Less: Allowances	
(178.0	
)	
(168.6	
)	
Total	
\$	
712.9	
\$	
690.8	
4 .	
Long-Term Debt	
June 30,	
December 31,	
2020	
2019	
(Dollars in Millions)	
4.250 % Senior Notes, due 2024	
\$	
397.3	
\$	
397.0	
7 % Debentures, due 2025	
124.4	
124.4	
3.450 % Senior Notes, due 2027	
297.4	
297.3	
3.500 % Senior Notes, due 2027	
495.6	
495.3	
2.500 % Senior Notes, due 2030	
489.6	
-	
6.25 % Senior Notes, due 2037	
228.2	
228.1	
4.250 % Senior Notes, due 2047	

591.8

591.7

Floating Rate Senior Notes, due 2020 , interest rate of 2.55 %
at December 31, 2019

-

299.7

Trade Receivable Facility, interest rate of 0.89 % and 2.42 % at
June 30, 2020 and December 31, 2019, respectively

130.0

340.0

Other notes

0.2

0.1

Total debt

2,754.5

2,773.6

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

(130.0

)

(340.0

)

Long-term debt

\$

2,624.5

\$

2,433.6

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

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For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

On March 5, 2020, the Company issued \$ 500 million aggregate principal amount of 2.500 % Senior Notes due 2030 (the 2.500% Senior Notes). The 2.500% Senior Notes are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. The 2.500% Senior Notes are redeemable prior to December 15, 2029 at their make-whole redemption price at a discount rate of the U.S. Treasury Rate plus 30 basis points, or on or after December 15, 2029 at a redemption price equal to 100 % of the principal amount plus accrued and unpaid interest to the date of redemption. The Company used the net proceeds for general corporate purposes, including the repayment of \$ 300 million of Floating Rate Senior Notes at maturity in May 2020. At December 31, 2019, the Floating Rate Senior Notes due May 2020 were classified as noncurrent long-term debt on the consolidated balance sheet as the Company had the intent and ability to refinance the notes on a long-term basis.

The Company , through a wholly-owned special-purpose subsidiary, has a \$ 400 million trade receivable securitization facility

(the Trade Receivable Facility) which matures on September 23, 2020 . The Trade Receivable Facility, with Truist 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 contains a cross-default provision to the Company's other debt agreements.

The Company has a \$ 700 million five-year senior unsecured revolving facility (the Revolving Facility) with JPMorgan Chase Bank, N.A., as Administrative Agent, Truist Bank, Deutsche Bank Securities, Inc., 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 under the Revolving Facility at June 30, 2020 or December 31, 2019. The Revolving Facility requires the Company's ratio of consolidated debt-to-consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), as defined by the Revolving Facility, for the trailing-twelve months (the Ratio) to not exceed 3.50 x as of the end of any fiscal quarter, provided that the Company may exclude from the Ratio debt incurred in connection with certain acquisitions during such quarter or the three preceding quarters so long as the Ratio calculated without such exclusion does not exceed 3.75 x. Additionally, if there are no amounts outstanding under 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 covenant at June 30, 2020.

The Revolving Facility expires on December 5, 2024 , with any outstanding principal amounts, together with interest accrued thereon, due in full on that date. 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, 2020 and December 31, 2019.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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 periodic reset of interest rates.

Accounts payable represent amounts owed to suppliers and vendors. The estimated fair value of accounts payable approximates the 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 \$ 2.75 billion and \$ 3.05 billion, respectively, at June 30, 2020 and \$ 2.77 billion and \$ 2.94 billion, respectively, at December 31, 2019. 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.

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 primarily from the permanent tax benefits associated with the statutory depletion deduction for mineral reserves. For the six months ended June 30, 2020, the effective income tax rate of 20.2 % reflected a \$ 6.9 million discrete benefit from financing third-party railroad track maintenance. In exchange, the Company received a federal income tax credit and deduction. For the six months ended June 30, 2019, the effective income tax rate of 16.2 % reflected 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.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7 .

Pension and Postretirement Benefits

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

Pension

Postretirement Benefits

Three Months Ended June 30,
2020

2019

2020

2019

(Dollars in Millions)

Service cost

\$

10.4

\$

7.6

\$

-

\$

-

Interest cost

9.8

9.3

0.1

0.1

Expected return on assets

(14.8

)

(11.8

)

-

-

Amortization of:

Prior service cost (credit)

0.2

-

(0.2

)

(0.2

)

Actuarial loss (gain)

3.2

3.9

-

(0.1

)

Net periodic benefit cost (credit)

\$

8.8

\$

9.0

\$

(0.1

)

\$

(0.2

)

Pension

Postretirement Benefits

Six Months Ended June 30,

2020

2019

2020

2019

(Dollars in Millions)

Service cost

\$

19.6

\$

15.4

\$

-

\$

-

Interest cost

18.5

18.9

0.2

0.3

Expected return on assets

(28.6

)

(23.9

)

-

-

Amortization of:

Prior service cost (credit)

0.3

-

(0.4

)

(0.4

)

Actuarial loss (gain)

6.7

7.9

(0.1

)

(0.2

)

Net periodic benefit cost (credit)

\$

16.5

\$

18.3

\$

(0.3

)
\$
(0.3
)

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) and expenses, net, in the consolidated statements of earnings and comprehensive earnings.

8 .

Commitments and Contingencies

Legal and Administrative Proceedings

The Company is engaged in certain legal and administrative proceedings incidental to its normal business activities, including matters relating to environmental protection. The Company considers various factors in assessing the probable outcome of each matter, including but not limited to the nature of existing legal proceedings and claims, the asserted or possible damages, the jurisdiction and venue of the case and whether it is a jury trial, the progress of the case, existing law and precedent, the opinions or views of legal counsel and other advisers, the Company's experience in similar cases and the experience of other companies, the facts available to the Company at the time of assessment, and how the Company intends to respond to the proceeding or claim. The Company's assessment of these factors may change over time as proceedings or claims progress. The Company believes the probability is remote that the outcome of any currently pending legal or administrative proceeding will result in a material loss to the Company as a whole, based on currently available facts.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Borrowing Arrangements with Affiliate

The Company is a co-borrower with an unconsolidated affiliate for a \$ 12.5 million revolving line of credit agreement with Truist Bank, of which \$ 10.3 million was outstanding as of June 30, 2020 and has a maturity date of March 2022 . 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, 2020 and December 31, 2019. 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, 2020, the Company was contingently liable for \$ 31.8 million in letters of credit, of which \$ 2.3 million were issued under the Company's Revolving Facility.

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 income taxes. 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.

The following table displays selected financial data for the Company's reportable business segments. Total revenues, as presented on the consolidated statements of earnings and comprehensive earnings, exclude intersegment revenues which represent sales from one segment to another segment, which are eliminated in consolidation. Prior-year segment information has been reclassified to conform to the reporting structure change described in Note 1.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Three Months Ended

Six Months Ended

June 30,

June 30,

2020

2019

2020

2019

(Dollars in Millions)

Total revenues :

Mid-America Group

\$

392.3

\$

414.5

\$

653.1

\$

662.6

Southeast Group

142.2

137.0

263.4

256.3

West Group

682.5

651.7

1,193.1

1,149.2

Total Building Materials Business

1,217.0

1,203.2

2,109.6

2,068.1

Magnesia Specialties

53.6

76.3

119.3

150.3

Total

\$

1,270.6

\$

1,279.5

\$

2,228.9

\$

2,218.4

Products and services revenues:

Mid-America Group

\$

362.9

\$

381.9

\$

603.9

\$

611.5

Southeast Group

136.8

132.0

253.7

247.4

West Group

640.9

611.8

1,114.1

1,076.0

Total Building Materials Business

1,140.6

1,125.7

1,971.7

1,934.9

Magnesia Specialties

48.9

70.4

108.8

139.5

Total

\$

1,189.5

\$

1,196.1

\$

2,080.5

\$

2,074.4

Earnings (Loss) from operations :

Mid-America Group

\$

136.2

\$

141.3

\$

157.0

\$

171.9

Southeast Group

33.7

32.7

47.7

53.8

West Group

133.2

110.6

155.9

130.9

Total Building Materials Business

303.1

284.6

360.6

356.6

Magnesia Specialties

13.2

25.2

34.9

47.9

Corporate

(9.9

)

(23.9

)

(31.3

)

(49.4

)

Total

\$

306.4

\$

285.9

\$

364.2

\$

355.1

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10.

Revenues and Gross Profit

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

Three Months Ended

Six Months Ended

June 30,

June 30,

2020

2019

2020

2019

(Dollars in Millions)

Total revenues:

Building Materials Business:

Products and services:

Aggregates

\$

754.9

\$

757.8

\$

1,325.2

\$

1,302.7

Cement

109.5

112.3

216.1

211.4

Ready mixed concrete

245.1

241.2

434.8

452.3

Asphalt and paving services

107.0

82.2

125.1

94.6

Less: interproduct revenues

(75.9

)

(67.8

)

(129.5

)

(126.1

)

Products and services

1,140.6

1,125.7

1,971.7

1,934.9

Freight

76.4

77.5

137.9

133.2

Total Building Materials Business

1,217.0

1,203.2

2,109.6

2,068.1

Magnesia Specialties:

Products and services

48.9

70.4

108.8

139.5

Freight

4.7

5.9

10.5

10.8

Total Magnesia Specialties

53.6

76.3

119.3

150.3

Total

\$

1,270.6

\$

1,279.5

\$

2,228.9

\$

2,218.4

Gross profit (loss) :

Building Materials Business:

Products and services:

Aggregates

\$

268.0

\$

251.5

\$

361.3

\$

349.5

Cement

43.4

42.2

70.7

56.0

Ready mixed concrete

26.1

19.0

32.0

33.5

Asphalt and paving services

21.9

15.7

13.8

7.4

Products and services

359.4

328.4

477.8

446.4

Freight

(0.3

)

0.2

(0.6

)

0.1

Total Building Materials Business

359.1

328.6

477.2

446.5

Magnesia Specialties:

Products and services

18.2

29.2

44.3

55.8

Freight

(1.3

)

(1.1

)

(2.2

)

(2.2

)

Total Magnesia Specialties

16.9

28.1

42.1

53.6

Corporate

4.5

0.2

3.6

(0.3

)

Total

\$

380.5

\$

356.9

\$

522.9

\$

499.8

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FORM 10-Q

For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11.

Supplemental Cash Flow Information

Noncash investing and financing activities are as follows:

June 30,

2020

2019

(Dollars in Millions)

Noncash investing and financing activities:

Accrued liabilities for purchases of property, plant and equipment

\$

22.0

\$

18.7

Acquisition of assets through swap

\$

-

\$

1.1

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

\$

-

\$

0.3

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

\$

18.0

\$

-

Remeasurement of operating leases

\$

1.1

\$

-

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

\$

1.1

\$

-

Supplemental disclosures of cash flow information are as follows:

June 30,

2020

2019

(Dollars in Millions)

Cash paid for interest

\$

53.0

\$

65.9

Cash paid for income taxes

\$

4.7

\$

8.0

During the six months ended June 30, 2020, the Company repaid \$ 7.2 million of loans related to its company-owned life insurance policies. The repayment is included in the 'Investments in life insurance contracts, net' in the investing activities of the consolidated statement of cash flows.

12.

Other Operating Expenses and (Income), Net

Other operating expenses and (income), net, for the six months ended June 30, 2020, reflected a \$ 2.5 million increase in credit loss expenses and a \$ 2.8 million increase in asset reclamation costs compared with the prior-year period. For the six months ended June 30, 2019, other operating (income) and expenses, net, reflected the reversal of \$ 4.2 million of accruals for unclaimed property contingencies.

13.

Other Nonoperating (Income) and Expenses, Net

For the six months ended June 30, 2020, nonoperating (income) and expenses, net, included \$ 5.6 million of third-party railroad track maintenance expense. The expense for the six months ended June 30, 2019 included 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.

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For the Quarter Ended June 30, 2020

(UNAUDITED) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Subsequent Events

Effective July 1, 2020, the Company made organizational changes, including consolidating its operational management and operating divisions, in connection with the retirement of two senior executives as of the end of the second quarter. Notably, the Mid-Atlantic Division and Southeast Division have been combined into the newly formed East Division. Additionally, the Southwest Aggregates Division and the Cement and Southwest Ready Mix Division have been combined into the newly formed Southwest Division. Subsequent to these changes, the Building Materials business consists of four divisions, which also includes the Central and West Divisions. The impact of the organizational changes on the Company's operating segments, reportable segments and reporting units will be reflected in the Company's financial statements as of and for the three and nine months ended September 30, 2020. Prior year segment information will be reclassified to conform to the reporting structure change.

In July 2020, the Company entered into an agreement to sell investment land for gross proceeds of \$ 97 million.

MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

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For the Quarter Ended June 30, 2020

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

Second Quarter Ended June 30, 2020

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 approximately 300 quarries, mines and distribution yards in 27 states, Canada and The Bahamas. In the southwestern and western United States, Martin Marietta also provides cement and downstream products and services, namely, ready mixed concrete, asphalt and paving, 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.

Effective January 1, 2020, the Company moved the management of its one quarry in the state of Washington from the Mid-America Group to the West Group, resulting in an immaterial change to its reportable segments. During the period covered by this report, the Company conducted 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

and West Virginia

Alabama, Florida,

Georgia, southwestern South Carolina, Tennessee,

Nova Scotia and The Bahamas

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

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

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 industries.

CRITICAL ACCOUNTING POLICIES

The Company outlined its critical accounting policies in its Annual Report on Form 10-K for the year ended December 31, 2019. There were no changes to the Company's critical accounting policies during the six months ended June 30, 2020.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

Second Quarter Ended June 30, 2020

(Continued)

RESULTS OF OPERATIONS

The Building Materials business is significantly affected by weather patterns and seasonal changes. Production and shipment levels for aggregates, cement, ready mixed concrete and asphalt and paving materials correlate with general construction activity levels, most of which occur in the spring, summer and fall. Thus, production and shipment levels vary by quarter. Operations concentrated in the northern and midwestern United States generally experience more severe winter weather conditions than operations in the southeast and southwest. Excessive rainfall, and conversely excessive drought, can also jeopardize production, shipments and profitability in all markets served by the Company. Due to the potentially significant impact on the Company's operations of weather and the coronavirus (COVID-19) pandemic, including governmental responses to prevent further outbreak of COVID-19 and other matters, current period results are not indicative of expected performance for other interim periods or the full year.

Earnings before interest; income taxes; depreciation, depletion and amortization; and the earnings/loss from nonconsolidated equity affiliates (Adjusted EBITDA) is an indicator used by the Company and investors to evaluate the Company's operating performance from period to period. Adjusted EBITDA is not defined by accounting principles generally accepted in the United States 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 and is a measure used by management to evaluate the Company's performance. 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 with similarly titled measures of other companies.

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

Three Months Ended

Six Months Ended

June 30,

June 30,

2020

2019

2020

2019

(Dollars in Millions)

Net Earnings Attributable to Martin Marietta

\$

217.6

\$

189.5

\$

243.5

\$

232.3

Add back:

Interest expense, net of interest income

31.0

33.2

60.7

66.0

Income tax expense for controlling interests

61.4

49.9

61.5

44.9

Depreciation, depletion and amortization and

earnings/loss from nonconsolidated equity

affiliates

97.0

105.9

190.3

193.5

Consolidated Adjusted EBITDA

\$

407.0

\$

378.5

\$

556.0

\$

536.7

The following table presents ready mixed concrete shipment data and volume variances excluding the Arkansas, Louisiana and eastern Texas ready mix business ("ArkLaTex business") from the periods of Martin Marietta's ownership to provide a more comparable analysis of ready mixed concrete volume variance:

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
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Second Quarter Ended June 30, 2020

(Continued)

Three Months Ended

Six Months Ended

June 30,

June 30,

2020

2019

2020

2019

Shipments

(Cubic Yards in Millions)

Reported ready mixed concrete shipments

2.2

2.2

3.8

4.1

Less: Ready mixed concrete shipments for the

ArkLaTex business during periods of Martin

Marietta ownership

-

(0.2

)

-

(0.3

)

Adjusted ready mixed concrete shipments

2.2

2.0

3.8

3.8

Adjusted ready mixed concrete volume variance

excluding shipments for the ArkLaTex business

8.7

%

0.1

%

Financial highlights for the quarter ended June 30, 2020 (unless noted, all comparisons are versus the prior-year quarter):

Consolidated total revenues of \$1,270.6 million compared with \$1,279.5 million

Building Materials business products and services revenues of \$1,140.6 million compared with \$1,125.7 million, and

Magnesia Specialties products revenues of \$48.9 million compared with \$70.4 million

Consolidated gross profit of \$380.5 million compared with \$356.9 million

Consolidated earnings from operations of \$306.4 million compared with \$285.9 million

Net earnings attributable to Martin Marietta of \$217.6 million compared with \$189.5 million

Consolidated Adjusted EBITDA of \$407.0 million compared with \$378.5 million

Earnings per diluted share of \$3.49 compared with \$3.01

The following tables 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, 2020 and 2019. 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. Prior-year segment information has been reclassified to conform to the operations and management reporting structure change effective January 1, 2020 (see Note 1 to financial statements).

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

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Second Quarter Ended June 30, 2020

(Continued)

Three Months Ended June 30,

2020

2019

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Millions)

Total revenues:

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

362.9

\$

381.9

Southeast Group

Aggregates

136.8
132.0
West Group
Aggregates
255.2
243.9
Cement
109.5
112.3
Ready mixed concrete
245.1
241.2
Asphalt and paving
107.0
82.2
Less: Interproduct revenues
(75.9
)
(67.8
)
West Group Total
640.9
611.8
Products and services
1,140.6
1,125.7
Freight
76.4
77.5
Total Building Materials Business
1,217.0
1,203.2
Magnesia Specialties Business:
Products
48.9
70.4
Freight
4.7
5.9
Total Magnesia Specialties Business
53.6

76.3

Total

\$

1,270.6

\$

1,279.5

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

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Second Quarter Ended June 30, 2020

(Continued)

Three Months Ended June 30,

2020

2019

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Millions)

Gross profit (loss):

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

152.6

42.0

\$

155.2

40.5

Southeast Group

Aggregates

41.4

30.2

38.1

28.9

West Group

Aggregates

74.0
29.0
58.2
24.0
Cement
43.4
39.7
42.2
37.6
Ready mixed concrete
26.1
10.6
19.0
7.9
Asphalt and paving
21.9
20.4
15.7
19.2
West Group Total
165.4
25.8
135.1
22.2
Products and services
359.4
31.5
328.4
29.2
Freight
(0.3
)
0.2
Total Building Materials Business
359.1
29.5
328.6
27.3
Magnesia Specialties Business:
Products
18.2

37.3

29.2

41.5

Freight

(1.3

)

(1.1

)

Total Magnesia Specialties Business

16.9

31.5

28.1

36.8

Corporate

4.5

0.2

Total

\$

380.5

29.9

\$

356.9

27.9

Aggregates Products Gross Profit Rollforward

The following presents a rollforward of aggregates products gross profit (dollars in millions):

Aggregates products gross profit, quarter ended June 30, 2019

\$

251.5

Volume

(14.6

)

Pricing

24.1

Operational performance (1)

7.0

Change in aggregates products gross profit

16.5

Aggregates products gross profit, quarter ended June 30, 2020

\$

268.0

(1)

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

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Second Quarter Ended June 30, 2020

(Continued)

Three Months Ended June 30,

2020

2019

Amount

% of

Revenues

Amount

% of

Revenues

(Dollars in Millions)

Selling, general & administrative expenses:

Building Materials Business:

Mid-America Group

\$

17.6

\$

15.5

Southeast Group

6.8

5.4

West Group

32.7

27.7

Total Building Materials Business

57.1

48.6

Magnesia Specialties

3.4

2.8

Corporate

10.7

21.0

Total

\$

71.2

5.6

\$

72.4

5.7

Earnings (Loss) from operations:

Building Materials Business:

Mid-America Group

\$

136.2

\$

141.3

Southeast Group

33.7

32.7

West Group

133.2

110.6

Total Building Materials Business

303.1

284.6

Magnesia Specialties

13.2

25.2

Corporate

(9.9

)

(23.9

)

Total

\$

306.4

24.1

\$

285.9

22.3

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
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Second Quarter Ended June 30, 2020

(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, 2020

Volume

Pricing

Volume/Pricing variance (1)

Mid-America Group

(7.2

)%

2.3

%

Southeast Group

3.0

%

0.7

%

West Group

(1.0

)%

5.5

%

Total Aggregates Operations (2)

(3.7

)%

3.3

%

Three Months Ended

June 30,

2020

2019

(Tons in Millions)

Shipments

Mid-America Group

25.6

27.6

Southeast Group

7.4

7.2

West Group

18.2

18.4

Total Aggregates Operations (2)

51.2

53.2

(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.

Mid-America Group shipments decreased 7.2%, driven by near-record rainfall across much of its footprint, limited COVID-19 impacts and anticipated lower infrastructure shipments in portions of North Carolina. Geographic mix limited pricing growth to 2.3% as the Central Division, which has lower selling prices relative to the consolidated average, contributed a higher percentage of second-quarter shipments to the Group. Shipments for the Southeast Group increased 3.0%, as the Florida Department of Transportation (DOT) accelerated certain transportation projects to leverage construction efficiencies driven by lower vehicle traffic during the COVID-19 shelter-in-place orders, along with continued strength in warehouse, data center and distribution facility construction. These favorable trends were partially offset by weather-impacted construction delays. Product mix, reflecting a higher percentage of lower-priced base shipments, limited pricing growth to 0.7%. West Group shipments decreased 1.0%, with double-digit growth in North Texas and Colorado offset by the completion of certain Gulf Coast liquefied natural gas (LNG) projects and reduced energy-sector shipments. Pricing improved 5.5%.

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Second Quarter Ended June 30, 2020

(Continued)

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

Three Months Ended

June 30,

2020

2019

Shipments

Aggregates (in millions):

Tons to external customers

47.9

50.5

Internal tons used in other product lines

3.3

2.7

Total aggregates tons

51.2

53.2

Cement (in millions):

Tons to external customers

0.7

0.7

Internal tons used in ready mixed concrete

0.3

0.3

Total cement tons

1.0

1.0

Ready Mixed Concrete (in millions of cubic yards)

2.2

2.2

Asphalt (in millions):

Tons to external customers

0.2

0.2

Internal tons used in paving business

0.9

0.6

Total asphalt tons

1.1

0.8

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

Three Months Ended

June 30,

2020

2019

% Change

Aggregates (per ton)

\$

14.66

\$

14.18

3.3

%

Cement (per ton)

\$

114.34

\$

114.17

0.1

%

Ready Mixed Concrete (per cubic yard)

\$

112.89

\$

111.39

1.3

%

Asphalt (per ton)

\$

46.54

\$

47.22

(1.4

)%

Aggregates End-Use Markets

Aggregates shipments to the infrastructure market increased modestly. The Company benefited from large transportation projects in Texas, Colorado and Florida, as most state DOTs continued to advance transportation projects during the COVID-19 shelter-in-place orders. However, consistent with expectations prior to COVID-19, North Carolina DOT temporarily suspended awards for certain transportation projects in response to funding issues specific to weather-related disaster spending and Map Act settlements. The infrastructure market accounted for 38% of second-quarter aggregates shipments, which is below the Company's most recent ten-year annual average of 45%.

Aggregates shipments to the nonresidential market declined following double-digit growth in commercial and heavy industrial construction activity in the prior-year quarter. Precipitation and temporary project delays hindered otherwise

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Second Quarter Ended June 30, 2020

(Continued)

robust distribution center, warehouse and data center construction activity. The Company also experienced reduced energy-related shipments due to the completion of certain windfarm and LNG projects, as well as lower overall demand to the shale sector. The nonresidential market represented 32% of second-quarter aggregates shipments.

Aggregates shipments to the residential market increased, with notable growth throughout Texas, as well as in Denver and Charlotte. Following a brief COVID-19-related pause in activity by national homebuilders, housing construction returned to pre-COVID levels, reflective of pent-up demand, low available inventories and favorable interest rates. The residential market accounted for 24% of second-quarter aggregates shipments.

The ChemRock/Rail market accounted for the remaining 6% of second-quarter aggregates shipments. Volumes to this end use increased, driven by improved ballast shipments to the Class I western railroads.

Building Materials Business Product Lines

Second-quarter aggregates shipments declined 3.7% compared with prior-year quarter volumes that benefited from carryover work from an extraordinarily wet 2018. Near-record wet weather resulted in a double-digit shipment decline in the Mid-Atlantic division. Pricing improved 3.3% compared with the prior-year quarter, with all divisions contributing to the growth. Aggregates product gross margin increased 230 basis points to 35.5%, largely driven by improved pricing, production efficiencies and lower diesel fuel costs.

Second-quarter cement shipments decreased 2.7%, driven by reduced demand for West Texas oil-well specialty cement products caused by historically low oil prices. While cement pricing increased in North Texas, Houston, and portions of Central Texas, notably lower sales of higher-priced oil-well specialty cement products limited overall pricing growth to 0.1% compared with prior-year quarter. Cement product gross margin expanded 210 basis points over the prior-year quarter to 39.7%, driven by reduced fuel costs and improved kiln reliability.

Ready mixed concrete shipments and pricing improved 0.3% and 1.3%, respectively, in the second quarter compared with the prior-year quarter. Shipments in the prior-year quarter included 168,000 cubic yards from the Southwest Ready Mix Division's business in the Arkansas, Louisiana and eastern Texas (ArkLaTex) areas that was divested in January 2020. Excluding these divested operations in the prior period, shipment volumes increased 8.7%. Lower delivery expenses and improved leveraging of costs along with cost reduction initiatives drove a 270-basis-point increase in gross margin. Asphalt volume increased 34.6% versus an extremely weather-challenged prior-year quarter. Asphalt pricing decreased 1.4% due to unfavorable product mix from a higher percentage of shipments to lower-priced municipal projects.

Magnesia Specialties Business

Magnesia Specialties product revenues decreased 30.6% to \$48.9 million. Lime and periclase shipments to the steel industry declined in response to the COVID-19-induced shutdown of domestic auto manufacturers. Additionally, domestic and international demand for chemicals products slowed due to COVID-19. Product gross profit was \$18.2 million compared with \$29.2 million. Product gross margin was 37.3% compared with 41.5%. Second-quarter earnings from operations were \$13.2 million in 2020 compared with \$25.2 million in 2019.

Consolidated Operating Results

Consolidated SG&A for second quarter 2020 was 5.6% of total revenues compared with 5.7% in the prior-year quarter. During second-quarter 2020, the Company incurred \$3.4 million in COVID-19 related expenses for enhanced cleaning and sanitizing protocols across the Company's operations, which are recorded in SG&A. Earnings from operations for the quarter were \$306.4 million in 2020 compared with \$285.9 million in 2019.

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Second Quarter Ended June 30, 2020

(Continued)

Among other items, other operating income and expenses, net, includes gains and losses on the sale of assets; recoveries and write-offs 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 and expenses, net, was an expense of \$2.4 million in 2020 and income of \$1.4 million in 2019. The income in 2019 reflected the reversal of \$4.2 million of accruals for unclaimed property contingencies.

Other nonoperating income and expenses, net, includes interest income; pension and postretirement benefit cost excluding service cost; foreign currency transaction gains and losses; equity earnings or losses from nonconsolidated affiliates and other miscellaneous income and expenses. For the second quarter, other nonoperating expenses and income, net, was income of \$3.8 million and expense of \$13.2 million in 2020 and 2019, respectively. The expense in 2019 was 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.

Financial highlights for the six months ended June 30, 2020 (unless noted, all comparisons are versus the prior-year period):

Consolidated total revenues of \$2,228.9 million compared with \$2,218.4 million

Building Materials business products and services revenues of \$1,971.7 million compared with \$1,934.9 million, and
Magnesia Specialties products revenues of \$108.8 million compared with \$139.5 million

Consolidated gross profit of \$522.9 million compared with \$499.8 million

Consolidated earnings from operations of \$364.2 million compared with \$355.1 million

Net earnings attributable to Martin Marietta of \$243.5 million compared with \$232.3 million

Consolidated Adjusted EBITDA of \$556.0 million compared with \$536.7 million

Earnings per diluted share of \$3.90 compared with \$3.69

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Second Quarter Ended June 30, 2020

(Continued)

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, 2020 and 2019. 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. Prior-year segment information has been reclassified to conform to the operations and management reporting structure change effective January 1, 2020 (see Note 1 to financial statements).

Six Months Ended June 30,

2020

2019

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Millions)

Total revenues:

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

603.9

\$

611.5

Southeast Group

Aggregates

253.7

247.4

West Group	
Aggregates	
467.6	
443.8	
Cement	
216.1	
211.4	
Ready mixed concrete	
434.8	
452.3	
Asphalt and paving	
125.1	
94.6	
Less: Interproduct revenues	
(129.5	
)	
(126.1	
)	
West Group Total	
1,114.1	
1,076.0	
Products and services	
1,971.7	
1,934.9	
Freight	
137.9	
133.2	
Total Building Materials Business	
2,109.6	
2,068.1	
Magnesia Specialties:	
Products	
108.8	
139.5	
Freight	
10.5	
10.8	
Total Magnesia Specialties Business	
119.3	
150.3	
Total	

\$

2,228.9

\$

2,218.4

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

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Second Quarter Ended June 30, 2020

(Continued)

Six Months Ended June 30,

2020

2019

Amount

% of Revenues

Amount

% of Revenues

(Dollars in Millions)

Gross profit (loss):

Building Materials Business:

Products and services

Mid-America Group

Aggregates

\$

190.6

31.6

\$

200.2

32.6

Southeast Group

Aggregates

63.3

25.0

64.6

26.1

West Group

Aggregates

107.4

23.0

84.7
19.2
Cement
70.7
32.7
56.0
26.5
Ready mixed concrete
32.0
7.4
33.5
7.4
Asphalt and paving
13.8
11.0
7.4
7.8
West Group Total
223.9
20.1
181.6
17.0
Products and services
477.8
24.2
446.4
23.1
Freight
(0.6
)
0.1
Total Building Materials Business
477.2
22.6
446.5
21.6
Magnesia Specialties:
Products
44.3
40.7
55.8

40.0

Freight

(2.2

)

(2.2

)

Total Magnesia Specialties Business

42.1

35.3

53.6

35.6

Corporate

3.6

(0.3

)

Total

\$

522.9

23.5

\$

499.8

22.5

Aggregates Products Gross Profit Rollforward

The following presents a rollforward of aggregates products gross profit (dollars in millions):

Aggregates products gross profit, six months ended June 30, 2019

\$

349.5

Volume

(12.1

)

Pricing

38.9

Operational performance (1)

(15.0

)

Change in aggregates products gross profit

11.8

Aggregates products gross profit, six months ended June 30, 2020

\$

361.3

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

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(Continued)

Six Months Ended June 30,

2020

2019

Amount

% of Total Revenues

Amount

% of Total Revenues

(Dollars in Millions)

Selling, general & administrative expenses:

Building Materials Business:

Mid-America Group

\$

35.4

\$

31.1

Southeast Group

13.8

10.8

West Group

66.0

57.0

Total Building Materials Business

115.2

98.9

Magnesia Specialties

6.9

5.7

Corporate

27.8

46.1

Total

\$

149.9

6.7

\$

150.7

6.8

Earnings (Loss) from operations:

Building Materials Business:

Mid-America Group

\$

157.0

\$

171.9

Southeast Group

47.7

53.8

West Group

155.9

130.9

Total Building Materials Business

360.6

356.6

Magnesia Specialties

34.9

47.9

Corporate

(31.3

)

(49.4

)

Total

\$

364.2

16.3

\$

355.1

16.0

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Building Materials Business

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

Six Months Ended

June 30, 2020

Volume

Pricing

Volume/Pricing variance (1)

Mid-America Group

(3.0

)%

2.0

%

Southeast Group

0.1

%

2.6

%

West Group

0.6

%

4.7

%

Total Aggregates Operations (2)

(1.2

)%

3.1

%

Six Months Ended

June 30,

2020

2019

(Tons in Millions)

Shipments

Mid-America Group

42.1

43.3

Southeast Group

13.6

13.6

West Group

33.8

33.6

Total Aggregates Operations (2)

89.5

90.5

(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.

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

Six Months Ended

June 30,

2020

2019

Shipments

Aggregates (in millions):

Tons to external customers

83.9

85.8

Internal tons used in other product lines

5.6

4.7

Total aggregates tons

89.5

90.5

Cement (in millions):

Tons to external customers

1.3

1.3

Internal tons used in ready mixed concrete

0.6

0.6

Total cement tons

1.9

1.9

Ready Mixed Concrete (in millions of cubic yards)

3.8

4.1

Asphalt (in millions):

Tons to external customers

0.3

0.3

Internal tons used in paving business

1.0

0.6

Total asphalt tons

1.3

0.9

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

Six Months Ended

June 30,

2020

2019

% Change

Aggregates (per ton)

\$

14.72

\$

14.28

3.1

%

Cement (per ton)

\$

114.06

\$

112.63

1.3

%

Ready Mixed Concrete (per cubic yard)

\$

113.53

\$

110.40

2.8

%

Asphalt (per ton)

\$

46.38

\$

47.08

(1.5

)%

Aggregates Product Line End-Use Markets

For the six months ended June 30, 2020, aggregates shipments to the infrastructure market accounted for 36% of year-to-date aggregates volumes and increased modestly, driven by large projects in Texas and Colorado, and partially offset by lower volumes in North Carolina.

Aggregates shipments to the nonresidential market declined following double-digit growth in commercial and heavy industrial construction activity, namely in Iowa and Texas, in the prior-year period. Additionally, energy-sector shipments declined, driven by historically low oil prices. The nonresidential market represented 33% of year-to-date aggregates shipments.

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Following a slowdown in the residential market due to rainfall in the first quarter and COVID-19, aggregates shipments to the residential market increased during the spring selling season due to pent-up housing demand and emerging homebuying trends as prospective buyers look to move to small metro or suburban locations. The residential market accounted for 24% of year-to-date aggregates shipments.

The ChemRock/Rail market accounted for the remaining 7% of year-to-date aggregates shipments. Volumes to this end use increased, driven by improved ballast shipments to the Class I western railroads.

Building Materials Business Product Lines

For the six months ended June 30, 2020, aggregates shipments decreased 1.2% as prior year volumes benefited from carryover work from 2018. Pricing increased 3.1% compared with the prior-year period. Aggregates product gross margin improved 50 basis points to 27.3%.

For the six months ended June 30, 2020, cement shipments and pricing increased 1.1% and 1.3%, respectively, compared with the prior-year period. Production efficiencies, lower fuel costs and improved kiln reliability contributed to the 620-basis-point expansion in cement product gross margin to 32.7%.

Ready mixed concrete pricing improved 2.8% while shipments declined 6.5% in the first half of the year as compared with the prior-year period. The volume decline is attributable to the divestiture of the Southwest Ready Mix Division's ArkLaTex operations in January 2020, which accounted for 300,000 cubic yards in the prior-year period. Excluding ArkLaTex shipments from the prior period, volumes were flat. Asphalt volume increased 39.6% attributable to favorable weather compared with the prior-year period. Asphalt pricing decreased 1.5% due to unfavorable product mix.

Magnesia Specialties Business

For the six months ended June 30, 2020, Magnesia Specialties reported product revenues of \$108.8 million compared with \$139.5 million for the prior-year period. Year over year revenue decline is attributable to lower lime and periclase shipments to the steel industry in response to the COVID-19-induced shutdown of domestic auto manufacturers. Additionally, the business experienced a continued decline in chemicals products sales as both domestic and international customers experienced a downturn in economic activity related to COVID-19. Product gross profit was \$44.3 million compared with \$55.8 million.

Product gross margin improved 70 basis points to 40.7% over the six months ended June 30, 2019. Earnings from operations were \$34.9 million compared with \$47.9 million.

Consolidated Operating Results

For the six months ended June 30, 2020, consolidated SG&A was 6.7% of total revenues compared with 6.8% in 2019. During the first six months of 2020, the Company incurred \$3.5 million in COVID-19 related expenses for enhanced cleaning and sanitizing protocols across the Company's operations, which are recorded in SG&A. Earnings from operations for the six months ended June 30 were \$364.2 million in 2020 compared with \$355.1 million in 2019. Among other items, other operating income and expenses, net, includes gains and losses on the sale of assets; recoveries and write-offs 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 an expense of \$8.0 million and income of \$6.2 million in 2020 and 2019, respectively. The 2020 amount reflected a \$2.5 million increase in credit loss expenses and a \$2.8 million increase in asset reclamation costs compared with the prior-year period. The 2019 amount included the reversal of \$4.2 million of accruals for unclaimed property contingencies. Other nonoperating income and expenses, net, includes interest

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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 income of \$ 1.9 million in 20 20 and an expense of \$ 11.7 million in 201 9 . The 2020 amount included an expense of \$5.6 million for third-party railroad track maintenance. The 2019 expense include d 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.

Income Tax Expense

For the six months ended June 30, 2020, the effective income tax rate reflected a \$6.9 million discrete benefit from financing third-party railroad track maintenance. In exchange, the Company received a federal income tax credit and deduction . For the six months ended June 30, 2019, the effective income tax rate reflected 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

For the six months ended June 30, cash provided by operating activities was \$373.2 million in 2020 compared with \$333.7 million in 2019. 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,

2020

2019

(Dollars in Millions)

Depreciation

\$

167.0

\$

155.7

Depletion

16.4

16.0

Amortization

10.0

10.3

Total

\$

193.4

\$

182.0

The seasonal nature of construction activity impacts the Company's quarterly operating cash flow when compared with the full year. Full-year 2019 net cash provided by operating activities was \$966.1 million.

During the six months ended June 30, 2020, the Company paid \$175.7 million for capital investments.

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 210,616 shares of common stock during the first six months of 2020, at an aggregate cost of \$50.0 million. Future share repurchases are at the discretion of management and were temporarily paused in March 2020 in light of the COVID-19 pandemic. Management may resume share repurchases as circumstances dictate. At June 30, 2020, 13,520,952 shares of common stock were remaining under the Company's repurchase authorization.

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On March 5, 2020, the Company issued \$500 million aggregate principal amount of 2.500% Senior Notes due 2030 (the 2.500% Senior Notes). The 2.500% Senior Notes are carried net of original issue discount, which is being amortized by the effective interest method over the life of the issue. The 2.500% Senior Notes are redeemable prior to December 15, 2029 at their make-whole redemption price at a discount rate of the U.S. Treasury Rate plus 30 basis points, or on or after December 15, 2029 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to the date of redemption. The Company used the net proceeds for general corporate purposes, including the repayment of \$300 million of floating rate senior notes due at maturity in May 2020.

The Company has a \$700 million five-year senior unsecured revolving facility (the Revolving Facility), which expires on December 5, 2024. The 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 securitization facility (the Trade Receivable Facility) held by the Company's wholly-owned special-purpose subsidiary, 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, 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.

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At June 30, 2020, the Company's ratio of consolidated debt-to-consolidated EBITDA, as defined by the Company's Revolving Facility, for the trailing-twelve months was 2.11 times and was calculated as follows:

July 1, 2019 to

June 30, 2020

(Dollars in Millions)

Earnings from continuing operations attributable to Martin Marietta

\$

623.1

Add back:

Income tax expense

152.9

Interest expense

124.1

Depreciation, depletion and amortization expense and noncash

nonconsolidated equity affiliate adjustment

382.0

Stock-based compensation expense

31.6

Deduct:

Interest income

(0.5

)

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

\$

1,313.2

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

is a co-borrower, at June 30, 2020

\$

2,773.0

Consolidated debt-to-consolidated EBITDA, as defined by the Company's Revolving Facility, at June 30, 2020 for the trailing-twelve months EBITDA

2.11 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 sheets.

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 when the repurchase program is resumed 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, 2020, the Company had \$967.7 million of unused borrowing capacity under its Revolving Facility and Trade Receivable Facility, subject to complying with the related leverage covenant. The Revolving Facility matures on December 5, 2024 and the Trade Receivable Facility expires September 23, 2020. Historically, the Company has successfully extended the maturity dates of these credit facilities. Further, as of June 30, 2020, the Company does not have any publicly-traded debt that matures prior to 2024. While the future impact of the COVID-19 pandemic is not currently quantifiable, management believes the Company's liquidity is sufficient to meet its cash flow needs through the foreseeable future.

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law in March 2020 and provides liquidity support for businesses. The CARES Act allows the Company to defer the payment of the 6.2% employer share

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of Social Security taxes for the period from March 27, 2020 through December 31, 2020. Half of the deferred obligation will be due December 31, 2021 and the remaining half will be due December 31, 2022. There will be no interest assessed on amounts deferred. The Company estimates it will defer payment of approximately \$2.5 million under this provision.

The CARES Act also provides a quarterly refundable employee retention credit if companies suspend operations due to government restrictions or experience a 50% or more decline in quarterly revenues compared with the prior-year quarter. The credit is equal to 50% of qualified wages, up to \$10,000 per employee who is not performing services for the Company. While the Company has had minimal short-term shutdowns related to the COVID-19 pandemic such that the Company has not utilized this aid, if future shutdowns are mandated and more extensive, the Company would be eligible to claim this credit.

The CARES Act also includes other provisions, including increasing the interest expense deduction limitation to 50% of adjusted taxable income and providing a credit facility for investment-grade companies. The Company does not currently expect the interest expense deduction provision to result in a change in its ability to take a full income tax deduction. The Company also believes it has adequate liquidity and does not currently expect to utilize the credit facility under the CARES Act.

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, 2019. Management continues to evaluate its exposure to all operating risks on an ongoing basis. A discussion of risks and uncertainties related to the COVID-19 pandemic are included in Part II, Item 1A Risk Factors of this report.

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, provide the investor with 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

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Form 10-Q (including the outlook) include, but are not limited to: the ability of the Company to face challenges, including those posed by the COVID-19 pandemic and implementation of any such related response plans; the recent dramatic increases in COVID-19 cases in the Sunbelt and the extent that geography of outbreak primarily matches the regions in which the Company's Building Materials business principally operates; the resiliency and potential declines of the Company's various construction end-use markets; the potential negative impact of the COVID-19 pandemic on the Company's ability to continue supplying heavy-side building materials and related services at normal levels or at all in the Company's key regions; the duration, impact and severity of the impact of the COVID-19 pandemic on the Company, including the markets in which the Company does business, its suppliers, customers or other business partners as well as the Company's employees; the economic impact of government responses to the pandemic; the performance of the United States economy, including the impact on the economy of the COVID-19 pandemic and governmental orders restricting activities imposed to prevent further outbreak of COVID-19; shipment declines resulting from economic events beyond the Company's control; a widespread decline in aggregates pricing, including a decline in aggregates shipment 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 public construction; the level and timing of federal, state or local transportation or infrastructure or public projects funding, most particularly in Texas, Colorado, North Carolina, Georgia, Iowa and Maryland; the impact of governmental orders restricting activities imposed to prevent further outbreak of COVID-19 on travel, potentially reducing state fuel tax revenues used to fund highway projects; the United States Congress' inability to reach agreement among themselves or with the 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, including a decline resulting from economic distress related to the COVID-19 pandemic; a decline in energy-related construction activity resulting from a sustained period of low global oil prices or changes in oil production patterns or capital

spending in response to this decline, particularly in Texas; increasing residential mortgage rates and other factors that could result in a slowdown in residential construction; unfavorable weather conditions, particularly Atlantic Ocean and Gulf of Mexico 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; whether the Company's operations will continue to be treated as "essential" operations under applicable government orders restricting business activities imposed to prevent further outbreak of COVID-19 or, even if so treated, whether site-specific health and safety concerns might otherwise require certain of the Company's operations to be halted for some period of time ; the volatility of fuel costs, particularly diesel fuel, and the impact on the cost, or the availability generally, of other consumables, namely steel, explosives, tires and conveyor belts, and with respect to the Company's Magnesia Specialties business, natural gas; continued increases in the cost of other repair and supply parts; construction labor shortages and/or supply chain challenges; unexpected equipment failures, unscheduled maintenance, industrial accident or other prolonged and/or significant disruption to production facilities; increasing governmental regulation, including environmental laws; the failure of relevant government agencies to implement expected regulatory reductions; 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, Carolinas and the Gulf Coast markets, including the movement of essential dolomitic lime for magnesia chemicals to the Company's plant in Manistee, Michigan and its customers; increased transportation costs, including increases from higher or fluctuating passed-through energy costs or fuel surcharges, and other costs to comply with tightening regulations, as well as higher

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(Continued)

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; trade disputes 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; downward pressure on the Company's common stock price and its impact on goodwill impairment evaluations; the possibility of a 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.

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, 2019 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.

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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, 2019, 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) 783-4691

Website address: www.martinmarietta.com

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

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The impact of the COVID-19 pandemic on the global and domestic economy is currently not fully known. The Company's operations have to date been considered "essential" operations under applicable governmental orders that restrict activities in an effort to prevent further outbreak of COVID-19. As such, the Company is conducting business with certain modifications, including having non-operational personnel working remotely; limiting site access to necessary employees and critical third parties; engaging medical experts to screen those who may have had COVID-19 exposure before allowing access to sites; enhancing the cleaning and disinfection of equipment and common areas, including engaging third-party specialists to disinfect work spaces; and issuing a quarantine policy requiring employees with COVID-19 symptoms to stay home for at least 14 days, among other things. The Company continues to actively monitor the situation and may take further actions that alter its business operations including any that may be required by federal, state or local authorities or that the Company determines are in the best interests of its employees, customers, suppliers, vendors, communities and other stakeholders.

Demand for aggregates products, particularly in the infrastructure construction market, is affected by federal, state and local budget and deficit issues. Remote working and stay-at-home orders and other guidelines are reducing miles driven, which is having a negative impact on various revenue streams that fund roadway projects. Further, delays or cancellations of 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. The residential construction market accounted for 22% of the Company's aggregates shipments in 2019 and 24% in the first half of 2020.

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.

Aside from these inherent risks from within its operations, the Company's earnings are also affected by changes in short-term interest rates.

Variable-Rate Borrowing Facilities. At June 30, 2020, the Company had a \$700 million Revolving Facility and a \$400 million Trade Receivable Facility. Borrowings under these facilities bear interest at a variable interest rate. A hypothetical 100-basis-point increase in interest rates on borrowings of \$130 million, which was the collective outstanding balance at June 30, 2020, would increase interest expense by \$1.3 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, 2019. As of June 30, 2020, discount rates were approximately 50 basis points lower than the rate selected as of December 31, 2019, the most recent measurement date. Unless an event requires an interim remeasurement, the Company will next remeasure its pension obligation and funded status as of December 31, 2020. Any decreases in the discount rate and pension asset values will negatively impact 2021 pension expense.

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 a majority of their 2020 coal requirements. Energy expense for the six months ended June 30, 2020 decreased approximately 16% compared with the prior-year period, due to lower crude oil prices in 2020; however, any future energy prices cannot be reliably predicted. A hypothetical 16% change in the Company's energy prices for the full year 2020 as compared with 2019, assuming constant volumes, would change full year 2020 energy expense by \$45 million.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

(Continued)

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 full year 2019 total product revenues for cement of \$ 4 39 million, a hypothetical 10% change in sales price would impact total revenues by \$ 4 3 . 9 million .

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As of June 30, 2020, 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, 2020. There were no changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

PART II- OTHER INFORMATION

Item 1. Legal Proceedings.

Certain legal proceedings in which the Company is involved are discussed in Note O to the consolidated financial statements and Part I, Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2019. See also Note 8 Commitments and Contingencies, Legal and Administrative Proceedings, of this Form 10-Q.

Item 1A. Risk Factors.

The Company's businesses could be adversely affected by the ongoing COVID-19 pandemic, or any other outbreak of disease, epidemic or pandemic, or similar public health threat, or fear of such an event and its related economic and societal response.

The Company could be negatively impacted by the widespread outbreak of an illness or any other communicable disease, or any other public health crisis that results in economic and trade disruptions. In or around December 2019, a novel strain of coronavirus (COVID-19) was initially reported and in March 2020, the World Health Organization declared COVID-19 a global pandemic. The spreading of COVID-19, and more recently dramatic increases in COVID-19 cases in the Sunbelt and the extent that geography of outbreak primarily matches the regions in which the Company's Building Materials business principally operates, and the related governmental orders limiting individuals' movements and social gatherings, as well as requiring many businesses to close for an undetermined period of time, are negatively impacting economic activity, consumer confidence and discretionary spending, and market conditions. Further, COVID-19 could continue to negatively affect the health of the Company's employees, employee productivity, customer purchasing patterns and fulfillment of purchase orders, availability of supplies, pricing for raw materials, and the ability to transport materials via the Company's distribution network. While the Company's operations have been treated as "essential" operations under applicable government orders restricting business activities imposed to prevent further outbreak of COVID-19, and accordingly have been permitted to continue to operate during the pendency of these orders, it is possible that they may not continue to be so treated under future government orders, or, even if so treated, site-specific health and safety concerns might otherwise require certain of the Company's operations to be halted for some period of time. The Company is monitoring the impact of COVID-19 on its operations and on the demand for its products. Due to economic uncertainty related to COVID-19, contractors and customers may delay advancing, or ultimately cancel, building projects. In addition, reduced travel due to remote working and stay-at-home practices, including as a result of governmental orders restricting activity, may continue to negatively impact fuel tax revenues that fund highway projects. While the Company does not currently expect that the virus will have a material adverse effect on its liquidity, it is unable to accurately and fully predict the impact that the COVID-19 will have on its results of operations due to various uncertainties, including the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, actions that may be taken by governmental authorities and other third-parties in response to COVID-19 and the timing and pace of any economic recovery as COVID-19 impacts ultimately abate.

Other than the item listed above, there have been no material changes in the risk factors disclosed in 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, 2019.

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

PART II- OTHER INFORMATION

(Continued)

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, 2020 - April 30, 2020

-

\$

-

-

13,520,952

May 1, 2020 - May 31, 2020

-

\$

-

-

13,520,952

June 1, 2020 - June 30, 2020

-

\$

-

-

13,520,952

Total

-

-

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 but has been temporarily suspended in light of the COVID-19 pandemic.

Item 4. Mine Safety Disclosures.

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

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MARTIN MARIETTA MATERIALS, INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-Q

For the Quarter Ended June 30, 2020

PART II- OTHER INFORMATION

(Continued)

Item 6. Exhibits.

Exhibit No.

Document

10.1

Martin Marietta Nonqualified Deferred Cash Compensation Plan (incorporated by reference to Exhibit 10.1 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on June 29, 2020 (Commission File No. 1-12744))

10.2

Martin Marietta Nonqualified Deferred Cash Compensation Plan Adoption Agreement (incorporated by reference to Exhibit 10.2 to the Martin Marietta Materials, Inc. Current Report on Form 8-K, filed on June 29, 2020 (Commission File No. 1-12744))

31.01

Certification dated July 28, 2020 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 28, 2020 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 28, 2020 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 28, 2020 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

Inline 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

Inline XBRL Taxonomy Extension Schema Document

101.CAL

Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB

Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE

Inline XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF

Inline XBRL Taxonomy Extension Definition Linkbase

104

Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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SIGNATURES

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

MARTIN MARIETTA MATERIALS, INC.

(Registrant)

Date: July 28, 2020

By:

/s/ James A. J. Nickolas

James A. J. Nickolas

Sr. Vice President and

Chief Financial Officer

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