MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to this Martin Marietta Materials, Inc. First Quarter 2009 Conference Call. Today's call is being recorded. At this time for opening remarks and introductions, I would like to turn the call over to the Chairman and Chief Executive Officer, Mr. Stephen Zelnak. Please go ahead, sir.

Stephen P. Zelnak, Jr., Chairman and Chief Executive Officer

Thanks for joining us today. I have with me Ward Nye, President, Chief Operating Officer; and Anne Lloyd, our Chief Financial Officer.

First quarter results exceeded our expectations as good cost management was offset by low shipments volume in Aggregates and our dolomitic lime product lines. Revenue for the quarter of $330 million was down 17% from the prior year period. Aggregate shipments declined 21% from prior year, while production volume dropped 25% as we adjusted to reduce our inventory level in line with demand.

The revenue reduction, coupled with low production of Aggregates and lime, created a loss of $0.14 per diluted share versus earnings of $0.50 in the prior year period. Aggregates pricing improved 3.5% and was reduced about a hundred basis points by geographic mix as a higher ratio of shipments came from lower priced operations in the West and North Central areas.

The rate of shipments decline in the West was 18%, with Arkansas being the strongest area with shipments up slightly. In the Southeast Group, our River District, which ships primarily into Louisiana, was down 1% as compared to 12% for the Group. South Georgia and Florida declined 16%. Atlanta also remained challenging with volume down 33%. The Mideast Group had the sharpest contraction as volume in the Carolinas dropped 37%. The Greensboro and Charlotte areas had declines that exceeded 40%. In the Carolinas, poor weather in March exacerbated the general weakness in construction activity.

Specialty Products sales of $33 million for the quarter declined 23%, leading to a 30% drop in earnings from operations. Demand for dolomitic lime to the steel industry continued to be weak. The magnesia chemicals business also felt the impact of worldwide economic slowdown.

For the quarter, SG&A decreased $500,000 to 37.2 million after absorbing a $1.8 million increase in pension cost. Our objective for the year continues to be to reduce SG&A expense despite the significant increase in pension cost.

During the quarter and into the month of April we spent considerable time and effort working on capital structure. We believe that there will be a number of attractive acquisition opportunities available over the next 18 to 24 months. We want to be ready for those possibilities, as well as assuring that we are comfortably prepared to handle debt maturities in 2010 and 2011.

We also want to manage our balance sheet in a manner that assures that we remain a solid investment grade credit. As a starting point we continue to generate very solid cash flow even in this weak economy. In 2009 we expect to generate free cash flow of 165 to $175 million based on our current forecast.

To provide additional liquidity we issued a little over three million shares of common stock for proceeds of $233 million. In addition, we entered into a three-year $100 million secured accounts receivable credit facility with a floating rate of one-month LIBOR plus 275 basis points.

We also entered into a $130 million three-year term loan with a rate based on one-month LIBOR plus 300 basis points. The $230 million of loan capacity covers our 225 million maturity in April 2010, while the equity capital and free cash are available for value-added investments.

As we look at the remainder of 2009, the key issue is the flow of stimulus money. With respect to surface transportation work we continue to expect an incremental demand to Martin Marietta of eight to 10 million tons in the back half of 2009, with another 20 million tons in 2010.

Through mid-April the federal government has granted their approval on over 2,000 projects submitted by the states with an estimated value of $6.7 billion or about 25% of this category of funding. The majority of projects identified to date are for resurfacing and lane widening, as expected.

Based on current information we continue to expect Aggregates' volume to range from down 9% to 12%, excluding the effect of economic stimulus and pricing to range from 4% to 6%. Our outlook for the Specialty Products segment earnings has declined slightly as steel industry is weaker than expected. Therefore, we now expect 2009 earnings per diluted share of $3.70 to $4.15, excluding the effect of stimulus.

At this time I'd be happy to take any questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We'll take our first question from Kathryn Thompson at Thompson Research.

<Q – Kathryn Thompson>: Hi. Thank you. Could you clarify – just speak a little bit deeper to regional pricing differences?

<A – Stephen Zelnak, Jr.>: Yeah, I'd be happy to do that, Kathryn. Try to give you some flavor by state, and in some cases I'll break the states down. Iowa, up about 6%; Indiana about 3.5. Ohio was a negative based on product mix, heavy sand sales. Virginia, Maryland, up about 2%. The River District, which flows most of its material down to Louisiana, was up 11%, very strong. When you get to the Southwest, price increases in the major markets there range from slightly up, less than 1% in Houston, up to some pretty strong increases down in the NAFTA corridor.
But a good portion of that was driven by the fact that we're railing a lot more material down there as opposed to the local product that we produce. North Texas, Oklahoma, up about 6%; South Georgia was up slightly, pretty close to flat, and that included also Florida; Carolinas, up about 3% and North Georgia was up about 7%. So that gives you the idea of the spreads, hopefully helpful.

<Q – Kathryn Thompson>: Yes, absolutely. Just based on some survey work we've done, seen some pretty aggressive bidding for projects especially since we've seen non-res slow down. And that also trickles into bidding for stimulus work. Given aggressive bidding for stimulus work or really any other construction work, how much leverage do you have in pricing and how do you manage around that?

<A – Stephen Zelnak, Jr.>: Well keep in mind that with respect to pricing you've still got in your pricing mix work that was quoted quite a while back, so one of the beauties of this industry is you just roll forward and come to something that approximates current pricing, that's a nice plus for you. Our approach to stimulus work is to not be incredibly aggressive early on. There are expectations of certain work we've got a transportation advantage on and where that's the case we would expect in most cases to get that or the majority of it.

Given what is likely to happen with the economy in general and also the flow of the stimulus work with a little bit of up tick in the economy as we get toward the back half and likely into 2010, expectation that they'll be some more work out there. So we're just going to play it cautiously and carefully. We've got the bogies that we laid out in terms of how much tonnage we expect to pick up and with the small amount of work that has been let to date, it's pretty well tracking our percentage basis the tonnages we've laid out. So we're pretty happy with where we are.

<Q – Kathryn Thompson>: On your volume side, just looking at your guidance, I think you said earlier, the units guidance you gave did not include stimulus?

<A – Stephen Zelnak, Jr.>: It does not include stimulus. We're going to – we'll look at stimulus and see what the flow actually turns out to be.

<Q – Kathryn Thompson>: Okay.

<A – Stephen Zelnak, Jr.>: Certainly expectation when you get to the back half of the year, you've got much lighter compares and an expectation that we're going to see some bottoming and a little bit of improvement on the housing side and that we get some pickup even without stimulus on a compare basis on the infrastructure side. Keep in mind that infrastructure dropped off sharply because of the price of liquid asphalt last year and you've got it going the other way.

One of the positive things about the stimulus work that we have seen let to date that, which obviously is not that much, but it reflects your comment in that bid prices are running anywhere

from 10 to 30% below engineers' estimates. Call it 20% as sort of a rough average. So the states are able to look at, municipalities are able to buy considerably more work than they would have been able to last year and that's going to be more materials. Means there are going to be more projects done for the amount of money that's being put out there than originally were estimated.

<Q – Kathryn Thompson>: That's a good point. Just on the volume side, just based on your previous expectations for – on the volume side, it looks like things are, volume trends have improved slightly at least from your expectations. What's changed and how have volume trends been since the end of the quarter, and what gives you confidence about your volume projection?

<A – Stephen Zelnak, Jr.>: Really haven't improved. In our view it's the same outlook. We don't know enough to see anything that causes us to think differently about it right now.

<Q – Kathryn Thompson>: Okay. Also just a quick [inaudible]. Just I want an update on your free cash and debt targets and interest expense.

<A – Anne Lloyd>: Kathryn, this is Anne. The interest expense we expect for the year after the consideration of the new financing will be about $75 million for the year at an average – weighted average rate of about 5.43% for the entire book. Estimated free cash flow for the year is between 165 and $175 million.

<Q – Kathryn Thompson>: All right. Thanks very much. I'll hop back in the queue.

<A – Stephen Zelnak, Jr.>: Okay.

Operator: Trey Grooms at Stephens Inc.

<Q – Trey Grooms>: Good afternoon.

<A – Stephen Zelnak, Jr.>: Hey, Trey.

<Q – Trey Grooms>: Just a couple of questions. You guys mentioned in the press release, and I know this probably goes with things you've said in the past, but executing aggressive cost reduction plan. Can you expand on that a little bit?

<A – Stephen Zelnak, Jr.>: Certainly we've taken headcounts down dramatically; we've talked about what we did at the corporate headquarters, which is a minus 12%. We took about 8% of the total workforce out last year. We continue to reduce head count, and that's going to be an ongoing effort until we truly find the bottom with respect the volume. We've got a lot of plants on 30 and 32 hours. That's tough on people, but it's a whole lot better than having the plants on no hours with respect to some of the workforce. So we're trying to spread the pain among our people, and we're going to try to keep our core workforce employed, skill people with us. So we're working that hard.

We've got a significant purchasing initiative. We have some targets laid out there. Aside from the decline in diesel and total energy, which we expected, we have a lot of other things that we're working where we are getting reductions in the cost of what we're buying. That is a major point of emphasis for us this year. So basically what we're doing is we're taking and scrubbing the company by line item. That's an exercise that goes on not just at the field level; it goes on in this office with your corporate officers, starting with me.

<Q – Trey Grooms>: Okay. So what -

<A – Stephen Zelnak, Jr.>: You don't miss much when you scrub by line item.

<Q – Trey Grooms>: Right. So you're improving productivity year-over-year despite the shipments being down 25%. So scrubbing at line item by line item, and do you think that if we do continue to see volumes fall off over the next couple quarters that that improvement could continue?

<A – Stephen Zelnak, Jr.>: It gets tougher.

<Q – Trey Grooms>: Yeah.

<A – Stephen Zelnak, Jr.>: We were early to really go after the cost side of the business I think with respect to people in our industry. We had a more negative outlook earlier and we responded to it. There's not any low hanging fruit.

<Q – Trey Grooms>: Right.

<A – Stephen Zelnak, Jr.>: So whatever you do is awfully tough to find and to execute on. And you really have to make decisions as to whether or not in the interest of having a little bit better cost structure for one or two quarters, are you going to injure yourself with respect to when the volume begins to turn a little bit and being prepared to take advantage of it. So we're trying to measure that carefully, but I could tell you everyone around here can spell the word cost, and it's in capital letters.

<Q – Trey Grooms>: So can you talk a little bit about how we think about the leverage you guys are going to have off this base when things do start to pick up, whether it be third quarter or fourth quarter?

<A – Stephen Zelnak, Jr.>: Well we believe that we will have incremental margins in the 60% range. Depending on the geography we got places where that number will be higher, believe it or not; could be 70%, maybe even a little better in couple of spots. So the operating leverage is tremendous as you add back volume. We're operating in such low levels right now. We're down in the 60% capacity utilization range with the low levels of production in the first quarter, if you could kind of run that out. We could easily take on another 40 million tons and that's going to be pretty much incremental.

<Q – Trey Grooms>: Okay.

<A – Stephen Zelnak, Jr.>: We get some tremendous yield with volume.

<Q – Trey Grooms>: Okay. And then can you talk a little bit about the M&A pipeline, the kind of size of deals that are out there and that you'd be interested in and maybe update us on kind of valuations that are out there? And what makes sense for you guys as far as your tolerance for taking on any top of vertical integration within these deals?

<A – Stephen Zelnak, Jr.>: First of all, there's pretty good deal flow out there and there's more coming. Expectation is over the next 30 to 45 days we're going to have a lot to look at. If you sum up what we think is coming, what we're told is coming, well over $1 billion worth, that's for sure. Maybe it's in the $1.5 billion range. Different product areas, different geography areas. So we'll look at that and determine what it is that we think is truly interesting to us. We have – obviously we didn't go raise equity without a view that we had something we were going to do in the shorter term.

<Q – Trey Grooms>: Sure.

<A – Stephen Zelnak, Jr.>: We have one acquisition that we're in due diligence on right now that due diligence has gone very well. Barring a surprise, expectation is we'll close that in Q2. It's not a big one, but it's big enough to make a dent in the equity raise. We had a second one that we were also doing work on, and reality of that one was that as we looked at it more carefully the financial

metrics just weren't going to be where it was that we need it to be to make it work for us. So again, we're being very cautious, very careful about what we do. If we buy something it's going to be because it makes sense for us. Period. And for our shareholders. So I'd expect we're going to be talking to you about acquisition deal flow for a while.

<Q – Trey Grooms>: Great. And with that, you made a comment about shareholders and you guys as well. Would that mean that if you did do a deal given the equity you just took on that it would have to be accretive immediately or is there some timeframe that you would tolerate some level of dilution?

<A – Stephen Zelnak, Jr.>: Expectation is on an operating basis; it needs to be accretive immediately. The only caveat I would put out there is that the way the accounting works these days, you've got to expense all your upfront expenditures and that might be a swing factor, but even with that expectation going in is that we want to be accretive.

<Q – Trey Grooms>: Okay. Thanks, Steve. I'll hop back in queue.

<A – Stephen Zelnak, Jr.>: If we wanted to be dilutive, we could be announcing deals right now.

Operator: Take our next question from Garik Shmois at Longbow Research.

<Q – Garik Shmois>: Hi. Garik Shmois. Thank you for taking my call.

<A – Stephen Zelnak, Jr.>: Sure.

<Q – Garik Shmois>: First off, if I could drill into the profitability in the West Group. It was relatively low relative to the last three quarters and pretty similar to the year-ago period. But last year I think I remember correctly it was a pricing mix, which had negatively impacted the results, but this year pricing was up. Can you just provide a little bit more color on the profitability in the West Group?

<A – Stephen Zelnak, Jr.>: The profitability in the West Group actually held for – reasonably well. Where we took a licking was in the Southeast. We had some volume in the West. The wind farm projects continue to hold up. We talked a lot about wind farms, but we continue to ship lot of material in South Texas on wind farms; that's been good to us. Railroad ballast in the Southwest was exceptionally good in the first quarter, so we got some positives out of that. We're getting some reasonable price increases out there. So all in all, we feel pretty good about the West. The big problem spot was in the Carolinas, and the Carolina's economy is certainly weakened. But on top of that the month of March is usually when the season really opens up in the Carolinas, and it was one wet March. So we didn't really have an opportunity to see what was out there, even though we know it's down significantly.

<Q – Garik Shmois>: All right. And notice pricing in the Carolinas, lower single digits, is that a function of the competitive environment now?

<A – Stephen Zelnak, Jr.>: It is. It's a function of the fact that we have gotten some very good price increases in the Carolinas in recent years, and with the economic decline and pain that our customers are feeling, just not appropriate to do too much that can be really detrimental to your customers. And certainly the Ready Mix customers in particular are struggling right now.

<Q – Garik Shmois>: Okay.

<A – Stephen Zelnak, Jr.>: So we're trying to measure that carefully.

<Q – Garik Shmois>: Okay. And just switching gears real quick on inventories. It looked like on a dollar basis it crept up little bit during the quarter. Typically I guess you'd build inventory in the winter months, so was that the plan or is there something else going on there?

<A – Stephen Zelnak, Jr.>: You got valuation moving up a bit, which really is impacted by the standards and the fixed cost. You've actually got tonnage coming down. We reduced inventory tonnage.

<Q – Garik Shmois>: Okay.

<A – Stephen Zelnak, Jr.>: And if you go back and look a year back, we're down 2.5 million tons or so.

<Q – Garik Shmois>: Okay. And just lastly, and if we can get the share count at the end of the quarter?

<A – Anne Lloyd>: Yeah. The actual share count at the end of the quarter was 44.5 million.

<Q – Garik Shmois>: Okay. Thank you very much. That's all I have.

Operator: Your next question is from Arnie Ursaner at CJS Securities.

<Q – Arnie Ursaner>: Hi, Anne. That answered the first question I had on my mind. So you must have obviously priced this deal at the very end of the quarter, given the share count reflected did not count – it basically didn't build into three million shares?

<A – Anne Lloyd>: Correct. I mean you have a weighted average daily share count.

<Q – Arnie Ursaner>: Have you done any additional issuance of shares past the quarter because you do have some remaining on your availability?

<A – Anne Lloyd>: [Inaudible].

<Q – Arnie Ursaner>: What sort of tax rate guidance would you give us for the year, Anne?

<A – Anne Lloyd>: 30.

<Q – Arnie Ursaner>: And a couple of – one more question on the SG&A line. Steve, you mention you have the 1.8 million of pension expense this year, but last year I believe you had had some pretty hefty stock-based comp charges. So how should we think about SG&A on a go-forward basis from here?

<A – Stephen Zelnak, Jr.>: We're going to continue to have some charges as people retire and phase out. So as we put our budget together we've included everything in there. And the real push factor is in fact pension cost. We've obviously taken basic SG&A down, if you factor everything else in. And if you look at incentive compensation, that's come down sharply.

A – Anne Lloyd>: Arnie, if you look at that -

<Q – Arnie Ursaner>: Will we have additional SG&A charges for the balance of the year at roughly the same level this quarter?

<A – Anne Lloyd>: No, you always have some disproportionate impact in the first and second quarter. If you look at total SG&A for 2008, you had essentially cuts in overhead, particularly bodies

at the corporate office that will – should offset the pension increase which on pension, on the SG&A line's about $6 million. Our goal, our target is to be essentially flat to down for 2009 on SG&A.

<Q – Arnie Ursaner>: Steve, got two questions for you if I can. Could you comment on the State of Georgia? I know there had been a change in the head of the DOT. They had had a fair amount of financing even before the stimulus plan, which hadn't really come to market, and obviously Georgia has been very weak for you. Can you comment on trends you're seeing there about some of this money finally being let?

<A – Stephen Zelnak, Jr.>: We don't know what's going to happen in Georgia right now. The governor and the legislature are still jawing each other. The governor would like to totally reorganize the transportation board, change the powers and really vest more power in the governor. So that's in a state of flux. And it's unfortunate because Georgia does have a lot of monetary capability with stimulus and its mobility to let other projects on their own. So we're just going to have to wait and see how they get their political issues settled. Just don't know the answer to that one yet.

<Q – Arnie Ursaner>: Steve, my final question for you. I could understand last quarter why you would have separated out the impact of the stimulus plan because at that point it was unclear when or if we would have one and the magnitude. But now that we do have a stimulus plan, can you comment why you're still separating out your view of the plan from normalized guidance, if you will?

<A – Stephen Zelnak, Jr.>: Well, what we've done is lay out a flow, and that's our best estimate. We're going to have to see how that flow really works. So that's the reason for breaking it out. When we get to the end of the second quarter I think we will have a much better idea of where we are, and logically we would probably incorporate all that into one number. I hope we know enough then to be able to do that.

<Q – Arnie Ursaner>: Okay. Thank you very much.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Take our next question from Mike Betts at JP Morgan.

<Q – Mike Betts>: Yes. Hi, Steve and Anne.

<A – Stephen Zelnak, Jr.>: Hi, Mike

<Q – Mike Betts>: Hi. I had two questions. The first one is maybe a slightly cheeky question, but in the press release it refers to your first quarter results exceeding your internal plan. Now obviously, your internal plan wouldn't have had this sort of the bad weather that occurred in the Carolinas. So I guess what I'm trying to find out, I think an issue where somewhere behind what the Street was forecasting, what areas you in your view actually did much better than expected?

And then secondly and more directly, given your expertise here, Steve, what's your view – if you could update us your view on the housing market and what you expect to see through aggregates' demand for housing? Are you – I mean I think three months ago your view was that it was bottoming; that's become a more consensus view. Is that your view now? Are you seeing people start opening up subdivisions now?

<A – Stephen Zelnak Jr.>: Okay, let's start with the first question on first quarter. Bottom line on the first quarter was that volume was below expectation. A part of that was the weather and part of it was economic activity, we think. Hard to totally separate it out. It appeared to be a bit below expectation, but again back to being hammered pretty hard in the Carolinas, the negative 37% volume and down 40 in Charlotte and more than 40 in Greensboro. We did a better job on the cost

side. So that's what enabled us to put it together in the first quarter in a better manner than we expected.

The other downer was negative on lime to the steel industry. We had anticipated that there would be a gradual ramp up of steel production and what's going on particularly in the automotive industry, the announcement of major shutdowns, lengthy shutdowns. They're certainly isn't any desire on the part of the steel folks to load up the supply chain. So they have pulled back pretty quickly and that's impacted lime volume. So that's what caused the first quarter to be what it was. We did marginally better – we didn't blow it away with respect to internal forecast, but given the environment we actually felt pretty good about that internally.

<Q – Mike Betts>: Okay.

<A – Stephen Zelnak Jr.>: With respect to housing now that I am a housing guru – it's beginning to improve a little. You're certainly seeing the rate of price declines start to – it's going down at a lesser rate, put it that way. And perhaps we're even getting close to a bottom on pricing. My own personal feeling is that there's a little bit more down to go there. But you're beginning to get a convergence of low interest rates and people who can buy, perhaps a feeling on their part that prices are bottoming and that it's a good time to go after the market. You've got the $8,000 piece of stimulus money, which I can tell you with conviction is having an impact. It's turning out first time home buyers. Those who are actually are credit worthy, have some savings, they see very good value. And they can get that $8,000 piece of help, and in some states they can get more from state. So that's beginning to spur activity.

So if you look at the home builders, I think what they would tell you is that they're seeing more quality traffic. Not just tire kickers but people who could buy. And that's being reflected in some of the order improvements that they're showing; rate of pullback on – where people are putting down deposits appears to be lessening. So it feels like a bottom. If you listen to the home builders, they will tell you that they've got lot issues in some of these markets.

We'll see whether or not that actually develops into stone tonnage with little bit of ground scraping and demand for our product. Certainly it hasn't yet, but for it to develop you've got to have the other part happening, which is reduction of inventory and sales relative to what's being built picking up, which appears to be the case.

So yeah, I continue to be perhaps a little bit more optimistic than most folks out there that we're going to see some improvement, but it's not the route to victory. Route to victory for the next five years, maybe longer is going to be government with respect to our business, all types of government activity or government subsidized and mandated activity with respect to clean energy.

<Q – Mike Betts>: Okay, thank you for that. And one follow-on, just on Specialty Products because obviously as you say, that suffered from the problems in the steel industry. To get your – to your, I think the revised guidance is 30 to 32 from memory of operating profit this year. Does that assume a rebound in that demand in the second half?

<A – Stephen Zelnak, Jr.>: It does but not anywhere close to our capacity. We're looking for a slack year where we're going to have kiln shutdowns periodically throughout the year. What we are getting though, Mike, is some very nice price improvement on the lime side. The lime pricing in the first quarter was up 11% and you're seeing energy cost go down. So a combination of those two helps.

<Q – Mike Betts>: And how much of the business is lime?

<A – Stephen Zelnak, Jr.>: Lime is about 40% of the revenue structure of Specialty Products, but it's a bit more profitable typically than the mag chem side.

<Q – Mike Betts>: Okay. Okay, that's great. Thank you very much.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: [John] Fox at Fenimore Asset Management.

<Q – John Fox>: Hi. Can you hear me?

<A – Stephen Zelnak, Jr.>: Sure can.

<Q – John Fox>: Okay, the operator cut out. Okay. I have a couple of questions. Number one, the free cash flow, 165 to 175, that's before dividends; is that correct?

<A – Stephen Zelnak, Jr.>: That's correct.

<Q – John Fox>: Okay. And what does that assume for a cash pension contribution for 2009?

<A – Anne Lloyd>: 20 million.

<Q – John Fox>: 20? Okay. And then, Anne, maybe could you just talk about what the balance sheet looks like after March 31? And obviously you did the offering, which we know about. The 100 million receivables facilities, is there anything drawn on that at this point?

<A – Anne Lloyd>: Yes, we drew all 100 million on the first draw. That was somewhat the expectation of the bank when we went into the relationship. But that will actually act as I call it our commercial paper, our ability to adjust our short-term needs. So if you look at April 30 we had 1.383 billion of debt, which includes the 100 million drawn as well as the 130 million term and cash of $289 million.

<Q – John Fox>: Okay. And the covenant that's 3.25 times, is that gross debt or do you get credit for the cash on that?

<A – Anne Lloyd>: It's gross. We tried net debt; it didn't work.

<Q – John Fox>: Okay. So how does that shake out at June 30 or what? And obviously you've added some debt here?

<A – Anne Lloyd>: June 30, we – well, we were 2.8 at the end of March and with that would be just right at like 2.86, but we won't hold that whole 100 million outstanding the whole time.

<Q – John Fox>: Okay, that's really my -

<A – Anne Lloyd>: We roll that every two weeks.

<Q – John Fox>: Okay. All right, great. And then, Steve, maybe could you just talk about the mechanics or the timetable or how the stimulus works? I mean you read in some places that there are projects, and then other communities you read articles about they're not seeing any of the money. So could you just maybe just put – shed a little bit more light on the mechanics and how this all flows through?

<A – Stephen Zelnak, Jr.>: It depends on the category of money that you're talking about. Obviously, we're focused heavily on the surface transportation category and that's the one that we can track most precisely.

<Q – John Fox>: Okay.

<A – Stephen Zelnak, Jr.>: But if you look at individual states you've got a wide range of activity between the states. In our states the one that is done the best job most aggressive early on is Iowa. Iowa has already taken bids on 55% of the money that they've been allocated. So they've been incredibly aggressive about getting the projects out there and taking the bids and awarding work.

If you go to the other end of the spectrum and states that make a difference for us, Florida has been pretty slow. Florida has let very little work to date, less than $100 million that they've actually put out there. Actually they haven't bid any; they've obligated about $100 million identified.

<Q – John Fox>: Okay.

<A – Stephen Zelnak, Jr.>: So they're being very cautious about it. At the same time Florida with the initiative that they took to accelerate their Roads program, they've got a very aggressive program already in place. So the expectation is that they'll be a little later. They're obviously working it, but Florida is one of the large states with respect to allocation. And then the other states are in between. I mean you just have to go state-by-state and look at the individual projects. What we do find, which I mentioned in the commentary is that when look at it project-by-project; it is overwhelmingly resurfacing and lane widenings.

<Q – John Fox>: Right.

<A – Stephen Zelnak, Jr.>: Expected that, so that's good and those projects are coming in at roughly 20% below cost estimates so that's good.

<Q – John Fox>: Right.

<A – Stephen Zelnak, Jr.>: To fill the volume.

<Q – John Fox>: Right. Okay, thank you.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: We'll take our next question from Jack Kasprzak at BB&T Capital Markets.

<Q – Adam Thalhimer>: Good morning, Steve and Anne. This is Adam Thalhimer calling in for Jack.

<A – Stephen Zelnak, Jr.>: Okay.

<Q – Adam Thalhimer>: Anne, can you give us a sense at all for interest expense next year? Any big changes from '09?

<A – Anne Lloyd>: I would not anticipate any. I'll tell you, I haven't calculated that at this point in time, but we don't really have any – based on where we are today I would say we'd make no changes. It's all going to depend on what happens with any potential acquisitions that we could do.

<A – Stephen Zelnak, Jr.>: That's the caveat, and obviously anything we could do would be done predominantly with equity and we've talked about accretive equity as opposed to that term dilutive, which we don't like.

<Q – Adam Thalhimer>: And then any idea of DD&A for the year, for '09?

<A – Anne Lloyd>: Approximately 180 million.

<Q – Adam Thalhimer>: Okay. Steve, you mentioned in the press release you were seeing some – a weakness in alternative energy projects. But you also said earlier in the call that you saw some strength in wind farms still. Where are you seeing the weakness on the alternative energy side?

<A – Stephen Zelnak, Jr.>: The Midwest slowed down a bit. There are a number of projects that had been pulled back, slowed down with respect to pace of moving along the left projects or in some cases the projects have been bid and they've not moved forward. Our expectation is that that's going to be relatively short term.

Certainly there is a lot of impetuous for wind energy projects. It's kind of interesting what's happened because the way it racks up now with Texas being so aggressive, Texas has become the largest wind farm state in the country. California's dropped to three; Iowa's moved into the number two position and Iowa is very active. South Texas and the Panhandle are very active.

So I think particularly those two states you're going to grow pretty dramatically, although in the short term, the next 60, 90 days, we may not see the flow of that, what we'd like to see. But as we get to the back part of the year, I think it's going to pick back up. In fact, we've got some projects that we're waiting on to hear about awards right now, and they're big projects. We're talking about -

<Q – Adam Thalhimer>: What's your sensitivity to a wind project?

<A – Stephen Zelnak, Jr.>: 1,500 tons per turbine, 200,000 to 700,000 tons per project so far. These are sizable projects, and we've got one that we're looking at right now. It's about 600,000 tons that we're waiting to find out whether or not we're going to get all our share in.

<Q – Adam Thalhimer>: Okay. And then lastly, can you just talk a little bit about state of demand in Texas?

<A – Stephen Zelnak, Jr.>: Texas has certainly held up better than most of the rest of the country, but Texas is not avoiding recession at this point in time. You can see a marked pull back in Houston. San Antonio has also taken a hit. The NAFTA corridor continues to be very strong, and that's wind energy plus just a bit better economy down there. And when you get up to North Texas, the North Texas private construction economy has pulled back, but there is a lot of toll work and other types of highway work up in North Texas, but particularly the toll work is the dominant work up there that creates very big tonnages.

<Q – Adam Thalhimer>: Great. Thanks for the time.

Operator: Next to Todd Vencil at Davenport & Company.

<Q – Todd Vencil>: Thanks. Steve, Anne, how are you?

<A – Anne Lloyd>: Good.

<Q – Todd Vencil>: Steve, I'm curious. You say there's one billion to 1.5 billion maybe of deals coming within the next 30 to 45 days or something to that effect. And I'm wondering when you say that they're coming, what – and this is – your color is always welcome. What do you mean they're coming? Are the books due out or are the bids due, or what should we be looking for there?

<A – Stephen Zelnak, Jr.>: There should be information coming out. Certainly when somebody gets ready to sell something they indicate to potentially interested buyers that there's something coming and give you a general indication what it is to see whether or not you would like to be a party to take a look at it. So you get a heads up in that regard, and then it's followed by some type

of information package. And we would expect to see some information packages flowing here very shortly.

<Q – Todd Vencil>: Got it. Got it, okay. Thanks for that. And a lot of my questions got answered so I'm just going to bounce around here a little bit. On the question of valuation, I mean we talked to you few months ago and you were talking about certain valuation ranges, EV to EBITDA, that kind of maintenance; you really thought things are going to be coming in. Can you kind of update us on where you think valuations stand or what you think you're going to ultimately be able to get?

<A – Stephen Zelnak, Jr.>: Well, it's not a 10 to 12 times EBITDA market off of peak EBITDAs, that's for sure. I think you're going to see much more realistic valuations just based on the economy, limited number of buyers. Valuations that are in the range of seven to eight would not be out of line. So that would be our expectation, somewhere around there. Depends upon the particular area that we're looking at.

<Q – Todd Vencil>: And just to clarify, is that seven or eight times this year or last year or '06 or what are you looking at?

<A – Stephen Zelnak, Jr.>: It's going to be, it could be seven to eight times trailing with some modest adjustment based on SG&A that you would take out immediately. It's typically the way we would look at it.

<Q – Todd Vencil>: So probably not on a 2006 number?

<A – Stephen Zelnak, Jr.>: Not on 2006, no, no.

<A – Anne Lloyd>: Or '12.

<Q – Todd Vencil>: Or '12, okay. Fair enough.

<A – Stephen Zelnak, Jr.>: It's going to be awhile before you get back to 2006 volume. So there may be someone who wants to pay for that, but I don't think it's going to be us.

<Q – Todd Vencil>: Fair enough. On that remaining two million shares, I mean do you have plans to take those down or to not take them down or are they sort of looking at that as an option to do should the need arise or the desire arise?

<A – Stephen Zelnak, Jr.>: It's an option. We're not interested in placing more equity than we think we can reasonably use, put to work for our shareholders in a productive way. We will measure the deals as they come and see whether or not we're successful. I mean we could – it's possible we're not successful because we're going to stick to our financial criteria on what we look at. But if we are, we'll measure the need and we'll go from there. The nice thing is that we've demonstrated that there is quite a bit of appetite for our equity given the association with something productive for the shareholder. And we're just going to stick to that. We're not going to ask the shareholder for equity money unless we can put it to work in a meaningful way.

<Q – Todd Vencil>: Got it. On the other balance sheet sort of actions you guys have taken, do you feel like you're positioned where you want to be now or should we be looking for any more activity on the, I guess we know what could happen on the equity side but on the, well on the debt side.

<A – Anne Lloyd>: Todd, we feel pretty comfortable. Obviously in April of this year we had our maturity for April of 2010 become current, which is one of the reasons we felt like it was important to provide a little more cushion essentially on the balance sheet and no reliance on the underlying cash flows of the business. So we feel comfortable with where we are right now.

<A – Stephen Zelnak, Jr.>: We took down at 230 million at a current interest rate that's less than 3.4%, so we think that was incredibly attractive. It's three-year terms related to it, so it's an intermediate term. We think that was extremely attractive. So we think we're pretty well taking care of there for anything that is currently on the platter. The fact of matter is if you sit down and go through the analysis, we've got over $0.5 billion of fire power right now in hand.

<Q – Todd Vencil>: Right, indeed. Final question, and this was sort of touched on before, but switching gears off the balance sheet and strategy. Just on the profitability and the ability to continue to cut cost, I mean you said before that there wasn't any low-hanging fruit left. But I mean as you are projecting for volume to keep coming down somewhat, do you feel pretty good about being able to continue to cut out sort of cash cost in line with what you're going to see for volumes?

<A – Stephen Zelnak, Jr.>: Well, you're going to do that based on your production rate and that's a given. So I don't jumped up and down and take great deal of pride in doing something that ought to be an automatic. We just consider that to be done.

<Q – Todd Vencil>: Fair enough. Thanks a lot.

Operator: We're next to Chris Manuel at KeyBanc Capital.

<Q – Jason Brown>: Good afternoon, this is Jason Brown on for Chris.

<A – Stephen Zelnak, Jr.>: Okay.

<Q – Jason Brown>: Couple of quick questions for you. Can you quantify how much operating at lower production rates in the first quarter hurt your first quarter earnings?

<A – Stephen Zelnak, Jr.>: Hang on a second and we'll try to give you some reasonable numbers.

<Q – Jason Brown>: Okay.

<A – Anne Lloyd>: If you look at the impact of volume on the business in the first quarter, when we file the Q this afternoon, there'll be a reconciliation of margins for you. I am just trying to – oh, there it is. Volume weakness cost us about $65 million.

<Q – Jason Brown>: Okay. And how do we kind of think about that with – I mean you were operating at lower production rates and end-market demand. So is there some lower fix cost absorption associated with that that won't continue going into the second quarter assuming that you're operating at end-market demand levels?

<A – Anne Lloyd>: Right. If you're – depending – it's assuming end-market demand levels flatten, you should be okay in that regard if you've adjusted your productive capacity, which we have to equal that. But if it continues to decline we'll have to continue to make those adjustments. Or if it goes the other way, then you'll have the margin pick up on the upside.

<Q – Jason Brown>: Okay. Well switching gears then, just got one question on guidance real quick. If you take into account first quarter results and then look at the remaining three quarters of the year, it basically implies that on average the last three quarters of '09 will be up from '08. And just assuming that second quarter has to be down on year-over-year basis and without getting into quarterly guidance here, how are you thinking about the progression through the year? Are we looking for volume improvement in the back half and that making up a down second and third quarter? Or do you think you can get to earnings improvement before then based on cost reductions?

<A – Anne Lloyd>: Got a couple drivers I'll start with. In the second quarter your biggest driver's going to be energy. You'll recall at second quarter of 2008 when energy rates really spiked. I think our rates were up between 60 to 80%, actually at absolute cost. But if you look at the per-gallon cost of energy in the second quarter, we were paying $3.57 a gallon last year. So you're going to have a nice swing from a compare assuming the energy rates stay or diesel rates stay at where they are right now. From a volume perspective, we do see volumes, that the rate of decline volumes tapering off and then picking up on the solid compares in the back half of the year, or the easier compares in the back half of the year.

<A – Stephen Zelnak, Jr.>: The bottom line is, as we said earlier, it's back end loaded. So the second half we're were looking for an improved scenario over the first half. As Anne indicated, we will get some significant energy cost relief in Q2.

<Q – Jason Brown>: Okay, that's helpful. Thanks a lot.

Operator: And we'll take our next question from Clyde Lewis at Citi.

<Q – Clyde Lewis>: Afternoon, Anne. Afternoon, Steve.

<A – Anne Lloyd>: Clyde.

<Q – Clyde Lewis>: Few questions if I may. Firstly, one on your sort of both volume and price, I guess, for the quarter against your peers, you've done a lot better in terms of volume and a fair bit better as well in terms of price than one or two of them. Is that all mix do you think in terms of geography and maybe a better ballast in one or two other specific product categories? Or do you think you've actually sort of gained share and sort of just performed better than your peers?

<A – Stephen Zelnak, Jr.>: I think it's all of the above. Certainly, your geography plays a key role in this. We don't have the exposure to California; we do not have the exposure to South Florida, Arizona, Las Vegas, places like that, and that's helpful at this point. So we're in markets that are for the most part not impacted as severely. Certainly from a pricing standpoint, we are seeing a little bit better pricing metric than most of our peers do I think related to it. We picked up a little market share. The answer is it appears to us that we have based on working closely with some key customers, and it's a give-and-take game.

You can identify specific plants, accounts where your competitor has picked up some business. And other places, situations where we have, when we netted out, it looks to us like we've have some pick-up there. And then we talked a lot about the so-called other category of business with flue gas desulphurization and railroad ballast and ag lime. And that continues to be a much better marketplace than the construction-related marketplace. So we got about 10% of our business in that category, and frankly that's a nice place to be.

<Q – Clyde Lewis>: Okay.

<A – Stephen Zelnak, Jr.>: So it's a summation of things that give us a little bit different view.

<Q – Clyde Lewis>: Can I come back to your pricing comments there and sort of where you sort of talking, maybe doing, doing a little bit better? I mean the figures you gave earlier, were they quarter on – this quarter on last quarter or year-on-year? And can you maybe say a little bit about how this sort of price rises that you would have been putting through in the first quarter have been received by the customers?

<A – Stephen Zelnak, Jr.>: The compares, to be relevant in our business, we really look at year-on-year on everything. Given the seasonality, I think it's the right way to do it. So those were year-on-year numbers.

<Q – Clyde Lewis>: Okay.

<A – Stephen Zelnak, Jr.>: What was the second part?

<Q – Clyde Lewis>: The other question was sort of really wondering how the price rises that you would be putting through now and maybe a little bit earlier in the first quarter, how they've been received by the customer base?

<A – C. Howard Nye>: Clyde, this is Ward Nye.

<Q – Clyde Lewis>: Hi, Ward.

<A – C. Howard Nye>: Let me circle back with you. Actually, we went out last year; we told the customers where we were going to be. We gave them plenty of heads up on it, and we reacted on market-by-market basis. And as a consequence there were no surprises to them. They have – price increases have gone in, in most parts quite effectively, and it's not been a surprise to us or to them.

<Q – Clyde Lewis>: And you're not seeing much sort of change amongst the smaller competitors being more aggressive on pricing or any of the bigger players, maybe breaking ranks at all?

<A – C. Howard Nye>: You will see some activity in some markets on occasion where you may see a small player making the move or in some instances a big player making the move. But I think as we roll it up and look across the United States, there hasn't been a lot of that type of activity.

<Q – Clyde Lewis>: Okay, okay.

<A – Stephen Zelnak, Jr.>: Don't get – don't take away from this that there's not active price competition because there is in line with the economy. But at the same time you have to keep in mind that transportation advantage is really what drives this business. A lot of customer plants located on site, which is a big driver of the business. So the particular business that you're competing over, it is a much reduced portion of the whole that you're competing over day-to-day. And that's a dynamic that a lot of people don't focus on in our industry.

<Q – Clyde Lewis>: Okay, thank you. Two more. I think one sort of fairly simple one I think, probably for Anne in terms of the asset disposal gains in the first quarter. Are you expecting to see much more of that in rest of the year, and presumably that figure is included in your full-year guidance, is it?

<A – Anne Lloyd>: From the first quarter, obviously we didn't have any big asset disposal gains. We did in the first quarter of last year, which affected the comparability. We usually assume other income of between 10 and $15 million annually.

<Q – Clyde Lewis>: Okay, okay. And the last one I had was probably for Steve on your non-residential sort of construction outlook view for 2009. I think three months ago I think you were looking for sort of 12 to 15% down. Is that still the case or has that sort of changed at all?

<A – Stephen Zelnak, Jr.>: No, I think it's probably in that range. In the areas where we operate, it's going to be very bloody with respect to retail-related construction and certainly office, high-rise office buildings. If you want to see some very tall and unoccupied buildings, you can go to the north side of Atlanta. It's going to be long time before somebody builds another tall one in Atlanta. But the other side of it is the energy-related projects out there, the capacity-driven projects, and it's surprising to me how much of that work continues on. We're looking at our business on a very regular basis racking up projects that are being bid, looking at things where we're picking up orders. And based on picking up the newspaper and reading about what's going on and then looking at

some of the projects that are getting done, I actually feel a bit better about it than the press would lead you to believe.

<Q – Clyde Lewis>: Okay. Thank you much.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Take our next question from Timna Tanners at UBS.

<Q – Timna Tanners>: Yeah. Hi, good afternoon.

<A – Stephen Zelnak, Jr.>: Hey, Timna

<Q – Timna Tanners>: I think most of my questions have been asked. There was just one thing I really wanted to clarify. You made a comment about the M&A opportunities and said that you think valuations will be lower and that there's fewer competitors. But I just want to ask you about that in light of the fact that CRH and Holcim have been kind of noisy about raising equity or capital in order to pursue M&A opportunities, specifically citing some in the U.S. So I was just wondering how you think that might shape out. Are you looking for more mom-and-pops and smaller players? They might be looking for larger deals? Is there something you can characterize there?

<A – Stephen Zelnak, Jr.>: We're obviously not interested in the cement business. That's the differentiator between us and them. Many other things. They're interested in aggregate; we're interested in aggregate. There might be some other product opportunities where we're both interested. Certainly, they're big players. They've tried to get themselves ready for opportunity. I would expect that we bump into each other with respect to some of these opportunities. But it's not like bumping into everyone in the universe or the space, which is what we would have done three years back.

<Q – Timna Tanners>: That makes lot of sense. I leave it there. The call's running long. So thanks very much.

<A – Stephen Zelnak, Jr.>: Okay.

Operator: Next to Brent Thielman at D.A. Davidson.

<Q – Brent Thielman>: Good afternoon. Actually, all my questions have been answered. Thank you.

<A – Stephen Zelnak, Jr.>: Okay.

Operator: We'll go next to Kathryn Thompson at Thompson Research.

<Q – Kathryn Thompson>: Thank you. On volumes, I may be a little dense here, but in the previous quarter you had volume guidance for down 15 to 20%, and in the quarter you just reported volumes were down roughly 21%. And then current guidance for volume is down nine to 12%. I guess my question to you, what has changed since the previous quarter in light of the 20-plus percent decline in the quarter just reported and the improved volume guidance but guidance for '09?

<A – Stephen Zelnak, Jr.>: It's not improved guidance for the year. We've been at nine to 12%, so there's some kind of disconnect there. Nine to 12 was the number that we came out with that when we announced the end of the year. So that is exactly the same guidance that we've put out. Maybe some confusion with the other large player, although their numbers if I recall were actually more

modest than ours. I think they had five to 10% if I recall was their original estimate, and now they're 10 to 15, if I read their press release correctly.

<Q – Kathryn Thompson>: Okay.

<A – Stephen Zelnak, Jr.>: So we've stayed the same.

<Q – Kathryn Thompson>: All right, perfect. I just wanted to clarify that. Thank you so much.

Operator: No further questions left in the queue. Mr. Zelnak, I'd like to turn the conference back over to you for any additional or closing remarks, sir.

Stephen P. Zelnak, Jr., Chairman and Chief Executive Officer

Okay. Appreciate everyone tuning in; a lot of good questions. Obviously uncertain times, we're doing our best to predict and help you in that regard and then obviously we are hunkering down managing as hard and as tough as we need to make our way through the environment. Look forward to talking to you at the end of second quarter. Thanks.

Operator: This does conclude today's presentation. We thank everyone for their participation.