MANAGEMENT DISCUSSION SECTION

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

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

Thanks for joining us this afternoon. I have with me Anne Lloyd, our Chief Financial Officer. We had a very good second quarter in spite of lower than expected volume in our Aggregates business. Net sales of $518 million increased 9% over the prior year period, while net income of $76 million was up 23%. Consolidated operating margin of 23.1% increased 220 basis points. Earnings per diluted share of $1.63 increased 25% as we repurchased 500,000 shares of common stock at an average price of 86.37 per share during quarter.

In our Aggregates business we experienced decline in volume of 2% versus the prior year period, which was below our expectations. Extremely wet weather in eastern North Carolina and the Mid-Atlantic states, particularly in June, had a negative impact on our shipments. We also experienced significant rail transport shortages into Houston during the quarter. Pricing was positive with a 12% rate of increase reflecting strong demand in the Southeast and Southwest. The Aggregates product line gross margin increased 220 basis points as we continued to do a good job of managing our business in a difficult cost environment.

Our Magnesia Specialties business had another outstanding quarter with both our lime and magnesia chemicals product lines performing extremely well. Net sales of $36 million increased 21% over the prior year period, while earnings from operations of $10 million increased 56%. Our magnesium hydroxide slurry products for water treatment and for the pulp and paper industry continued to show excellent growth.

Our Structural Composites business had a reduced loss of $3 million versus $4.7 million in the prior year, with the difference being related to lower inventory write-downs. Although, we get high marks from existing and potential customers with our products, we continued to struggle to convert favorable customer views into a steady flow of revenue. We will review this business at the end of the year to determine how to approach it in the future.

Year to-date, net sales for the Corporation of $943 million is up 16%, while earnings from operations of $171 million is up 43%. Earnings per diluted share of $2.29 was a 59% increase over the prior year period. Operating margin of 18.1% is up 350 basis points. Both our Aggregates and Magnesia Specialties units have posted record revenue, operating earnings and operating margins.

In July, we brought on line our new 5 million ton per year facility at North Troy in southern Oklahoma, and our new Three Rivers plant near Paducah, Kentucky, which has 8 million plus tons of annual capacity. These two plants represent almost $90 million in capital investment. The North Troy location will rail material primarily to Dallas but also to Houston. Three Rivers is our major barge location serving 14 states including Louisiana. During the second quarter we had more startup costs than expected with these locations along with our new sand plant in Des Moines. We will continue to fine tune the plants in the third quarter, with steady state operation expected in the fourth quarter. The new tonnage in North Troy and the expected cost reduction at Three Rivers should contribute positively to earnings in 2007.

Given the turmoil in the stock markets since May and the Federal Reserve's continued push on interest rates, we have taken a hard look at the economic environment and outlook for our

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aggregates business. On residential we've probably been the most negative in our sector on the overall market. Unfortunately, our view looks about right. Housing should be down 10% or more this year followed by a further decline in 2007. In our principal markets in the Southeast and Southwest, it looks like the decline would be about half the national rate or less. Non-residential construction appears to be solid at this point. Infrastructure is generally positive with strong programs in Texas, Oklahoma, Florida, Georgia and Indiana. Both North Carolina and South Carolina are struggling with cash flow issues, which is reducing the amount of work plus contracts. North Carolina is set to transfer $170 million from its general fund surplus to highways to fund maintenance. The state also has 900 million in GARVEE Bond Authority which they should begin to use later this year.

At the Federal level, both the House and the Senate have locked on to a $3 billion increase in funding for fiscal year 2007, which should be helpful. We continue to see many local initiatives to fund both roads and schools in high growth areas.

With respect to pricing we were a bit more successful with mid-year increases than we expected. The most notable increase was in the Dallas/Fort Worth area, which ranged from $1.00 to $1.50 a ton depending on location. This is particularly noteworthy given our 5 million tons of new capacity at North Troy aimed at serving this high growth area. We also put in place some significant increases in North Carolina, and we've indicated to our customers in that state that they should expect an increase of about 15% in January 2007.

Overall, we believe housing construction will continue to be negative, while non-residential and infrastructure construction should be positive going forward through 2007. With less than 20% of our volume used in residential construction, our downside risk to large volume declines tends to be limited. The end result of the current environment should be a little less volume and a bit more price than our earlier expectations. On the positive side, new capacity plus cost reduction at the major new locations should give us earnings momentum going into 2007. Also we will begin to receive the first shipments of some 50 new barges we have ordered in early 2007, which will be targeted toward Louisiana opportunities.

The major risk in our view continues to be the actions of the Fed, both in tone and absolute terms with respect to interest rates. Based on our current view, we expect the third quarter earnings to fall in a range of $1.70 to $1.90 per diluted share versus earnings of $1.62 last year, which included a one-time positive tax adjustment of $0.15 per share. For the full year 2006, we expect earnings to fall in a range of $5.30 to $5.60 per diluted share.

At this time, I would be pleased to take any questions you may have.

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QUESTION AND ANSWER SECTION

Operator: Thank you Mr. Zelnak. [Operator Instructions]. Our first question will come from Jack Kelly with Goldman Sachs.

<Q – Jack Kelly>: Good afternoon, Steve.

<A – Stephen Zelnak, Jr.>: Hi, Jack.

<Q – Jack Kelly>: Just looking at the volume shortfall which you alluded to, can you give us some idea of what the Houston bottleneck cost you, and maybe just a progress report where are we now and, in – in – kind of de-bottlenecking that? And then, secondly, the weather impact, particularly in North Carolina?

<A – Stephen Zelnak, Jr.>: Yeah, Houston volume was troubling. We were about 500,000 tons short in the Houston for the quarter, all based on UP's [Union Pacific] inability to move it. And I am not going to tell you what the margins are there, but let's just say that that was a substantial decrement to where we expected to be certainly in that market. Eastern North Carolina and Mid-Atlantic, as you know, North Carolina is a very good spot for us, and any time, we – you get hit there, that's costly to us. We tried to do some estimation of what the impact of that was, and if you recall, in the first quarter, we had a clear upper on weather. And we had characterized that at somewhere between 0.06 to $0.10 a share. I would tell you in the second quarter we reversed that out. It's somewhere in that neighborhood based on our calculations. So, I think, as we hit the mid-point of the year, we're basically right where we ought to be if you even weather out.

<Q – Jack Kelly>: Okay, great. And then in terms of the North Carolina specifically, you mentioned some things going on with regard – with regard to funding. You know, the highway contracts awarded there, I guess, for the first six months were down about 47%, but June was up 15%. So, is June reflecting kind of some of these, this money getting moved in to the transportation fund, or can we expect a turnaround in that business I guess in the next couple of months?

<A – Stephen Zelnak, Jr.>: Actually June really does not reflect the appropriated money moving in yet, that will come later. North Carolina has been in a letting lull based on cash flow difficulties, and in fact quite honestly they just misestimated their cash in and their cash out, and they've had to balance it out. But the legislature attempted to address that in this latest session, and the $170 million that goes towards maintenance is the best money we ever see, because it's very heavily weighted toward aggregate. So, we would expect in the third quarter to see that began to be let and pushed out. That will carry over into '07. And likewise with the GARVEE bond funding, that authority is there, it's a matter of them just picking their timing when that began, want to begin to roll it out. We are told second half that they are going to roll it out.

<Q – Jack Kelly>: Okay. And just a final question on pricing, you had mentioned that 15% number, and I guess which is North Carolina, is that what's going to be, you are going to try to implement in January of '07, Steve, or is that just going to be the collective price increase year-over-year based on what you did this year plus what you do in January, it's going to be effectively 15% to the customer?

<A – Stephen Zelnak, Jr.>: That will be the effective increase, we will implement increases that are very substantial 1/1. And in fact, what we have done is we have talked to majority of the customer base, certainly all of the larger customers and given them an early heads-up on that, because what we would like to do is cut down on any carryover jobs, any protection on jobs they have already quoted. So, we are trying to minimize the carryover. We expect that we are going to see an effective rate of price increase in North Carolina next year of something on the order of about 15%.

<Q – Jack Kelly>: Okay. So that would include the carryover from…

<A – Stephen Zelnak, Jr.>: Yes.

<Q – Jack Kelly>: '06 plus whatever you implement…

<A – Stephen Zelnak, Jr.>: Yes.

<Q – Jack Kelly>: …next year. I mean, and did you think as you looked through the rest of your markets, without giving us specific numbers, do you think the rate of increase that you are going to implement in January of '07 will be greater than what was implemented in January of '06?

<A – Stephen Zelnak, Jr.>: The answer to that is no. Certainly, the Mid-Western markets in the automotive areas in North Central has weakened somewhat; you are not going to see large scale increases there. I would expect that the increases will continue to be strong in the high growth markets in the Southeast and Southwest.

<Q – Jack Kelly>: Okay, thanks.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Moving on to Arnie Ursaner with CJS Securities.

<Q – Arnold Ursaner>: Hi good afternoon.

<A – Stephen Zelnak, Jr.>: Hey Arnie.

<Q – Arnold Ursaner>: A couple questions, you indicated in your release that you were successful in getting mid-year price increases better than you had expected. What did you end up getting at mid-year on average?

<A – Stephen Zelnak, Jr.>: Not something that, not a number that we are going give you. Unfortunately, I will keep that one to myself…

<Q – Arnold Ursaner>: Okay.

<A – Stephen Zelnak, Jr.>: But there were two places where we were able to implement increases that were notably better than we had expected. One was Dallas, which I highlighted for you and gave you the magnitude at $1.00 to $1.50 a ton there. And that's very significant, because that's a relatively low priced market. And the other was North Carolina where we got some mid-year increases, not across the board, but for the majority of the customer base we were able to implement some mid-year increases that we did not anticipate. So, those are the two areas of significant impact above what we had planned.

<Q – Arnold Ursaner>: And just remind me again in Texas, the $1.00, $1.50 is on a base somewhere in the range of 5.00 to $6.00, is that correct?

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

<Q – Arnold Ursaner>: Okay. And following up on the…

<A – Stephen Zelnak, Jr.>: Well, let me, let me qualify that, Arnie, it's that at the quarry level if you are coming on rail through a distribution yard, that number would basically be doubled because of the freight. So some of this applies to distribution yard, some of it applies to FOB sources.

<Q – Arnold Ursaner>: Okay. And obviously you've been using free cash flow when you have it to buy back shares. Can you just remind us what your CapEx expenditures are likely to be in the back half, what they are year-to-date, what you expect them to be in the back half of the year?

<A – Stephen Zelnak, Jr.>: It's, second quarter was likely our big CapEx quarter for the year, primarily because we have those two big projects that I cited that we're finishing up, and it think we were about $158 million through the first six months. Estimate for the year is that we are probably going to spend another 90 to $100 million.

<Q – Arnold Ursaner>: Okay. My final question is related to Magnesia Specialties, your margins there continue to improve very impressively. What is the utilization you are running at now and can you comment on price increases and where you think margins may be heading in that business over the next 18 months or so?

<A – Stephen Zelnak, Jr.>: The interesting thing about the capacity utilization is that as we continue to make adjustments in our product mix at Manistee chemicals plant, we continue to create more, more capacity opportunity. We are running probably somewhere in the neighborhood of about 85 to 87 or 88%, and we've got some incremental projects that will probably expand the capacity a little bit. So, we've got some room to push more product through. It's turned into a growth business and it's a growth business where the pricing opportunity for most of the products has been double-digit. We think we are going to have another strong pricing year next year. We think we are going to have strong volume year next year. And certainly we are getting some pretty attractive margins in both the chemical side, and the lime side. So we are quite pleased with what we have been able to do with that business, and as I said, the chemical side is truly a growth business. We see lot of opportunity there.

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

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Jack Kasprzak with BB&T Capital Markets has the next question.

<Q – John Kasprzak>: Thanks. Good afternoon, Steve.

<A – Stephen Zelnak, Jr.>: Hi Jack.

<Q – John Kasprzak>: I was wondering if you could break down the sales of Magnesia Specialties and Composites, if you have those numbers, in the quarter?

<A – Stephen Zelnak, Jr.>: Composites was basically de minimis. You can estimate it at less than $2 million.

<Q – John Kasprzak>: Okay.

<A – Stephen Zelnak, Jr.>: We had indicated in the release at the end of the first quarter that we were going to have very small sales in Composites in the second quarter. That's exactly the way it worked out.

<Q – John Kasprzak>: Okay. My second question is just on the pricing dynamic in Aggregates, certainly if you look over a long period of time, it's been stable, generally up every year, but over the last year or 18, 24 months, it's been above historical trend. I think there might be a, some concern that, like everything else, reversion to the mean could occur and, certainly there is a big element of demand here that's at play, but I wonder if you could give us your view on whether you think that Aggregates pricing, the environment is – what's changed and what's more permanent or secular versus what's more cyclical?

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<A – Stephen Zelnak, Jr.>: Well certainly what's changed is gradually over time you continue to grow the business, and we've talked about it being a relatively slow growth business, but it grows. And what's happening is that the supply, particularly the ability to put reserves into play at the right locations where you can supply markets effectively has not grown. It's back to that math that we show a lot that shows where the reserves that feed the Southeast and Southwest and all that coastal plain area where people are moving where there isn't any aggregate available.

So, you've really gotten to the point based on a lot of reserves being depleted, reserves being taken out of play, with zoning and permitting, and also specifications have taken reserves out of play. In Florida in particular, some of the material that used to be used in Florida and even coastal South Carolina and North Carolina can no longer be used because it really wasn't very good material to start with, they were just faking it, they were using it, and it turned out that finally it was recognized it was inferior material, and what you built with it was falling apart prematurely. So, as you up the specs, you take a lot of substandard material out, and it really puts the emphasis on high quality deposits, well located. And those are pretty expensive to put together. Ourselves and other players have spent a lot of time and effort assembling positions, and those positions are very powerful. I think back, too much schooling, but I actually took I think 9 economics courses, I'm beginning to believe they didn't lie to me, supply and demand do matter.

<Q – John Kasprzak>: That's great. That's 8 more than I took.

<A – Stephen Zelnak, Jr.>: You are a better man than me. Better off for it.

<Q – John Kasprzak>: Yeah. Just real quick, the 500,000 tons that you think you didn't get in Q2 going in to Houston, is that something that you would – you could get in Q3, or you just don't know, given the bottleneck problems, it's just pushed out a little farther?

<A – Stephen Zelnak, Jr.>: Jack, we just don't know. The rail service has been very erratic, and as you know, and others, railroads have more business coming at them than they can reasonably handle. And they are having to allocate tracks, they are having allocate power, and in some cases cars. We made a big move late last year and the build out early this year to bring in 780 new cars and to significantly increase our car fleet. So, we don't have the big issue with cars. It comes down to the railroad being able to supply timely power and to turn the trains, and that's where the issue is. So I can't predict it….

<Q – John Kasprzak>: Yeah.

<A – Stephen Zelnak, Jr.>: We just don't know.

<Q – John Kasprzak>: Okay, fair enough. Thanks very much.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: We'll now hear from Mike Betts with JPMorgan.

<Q – Michael Betts>: Yes. Hi Steve, two or three questions if I could.

<A – Stephen Zelnak, Jr.>: Sure.

<Q – Michael Betts>: The first one, and I'm sure it's a relatively low number, but could you quantify the costs involved – the costs of expectations in getting these two new major capital investments up in running, how much that hit Q2 earnings?

<A – Stephen Zelnak, Jr.>: It wasn't a huge number, it was something on the order of 1.5 to 1.75 mill.

<Q – Michael Betts>: Okay. My, my second question was just on share buyback. As you probably aware, your – one of your major competitors was much more active in the second quarter than you were, but obviously has less debt on the balance sheet. I suppose two questions. Was there any reason for you not being more active? And second question, what sort of debt to cap ratio are you targeting in the medium term?

<A – Stephen Zelnak, Jr.>: If you go back over time, Mike, we've been very active purchasing shares now for last couple of years, as opposed to just doing it the last quarter. So, we've been busy with that, it's been a regular part of our program. And we determined a couple of years back that we were not going to let our leverage go down, that we were going to keep our leverage up. We think 30, 35% is an ideal leverage ratio for a business like ours, 30, 35% debt to cap. So, we've been targeting that way for the last 2.5 years or so.

Again, what we are doing is using free cash flow, as opposed to going out and borrowing money, because we've kept the leverage up. So, to the extent we have free cash flow available, we've prioritized we are going to fund business first, all good capital opportunities where we can grow it, and certainly, we are at record CapEx, we have plenty of those, and I've mentioned a couple, but we've got quite a few more out there that are in the works. So, we'll do that. We'll look at any pension needs we have, which will be minimal, and then it comes down to share buyback and dividend increase. And we will, I will say it again, we plan to return the free cash flow that we don't have a need for to the shareholder, it's that simple, and that's not a new program.

<Q – Michael Betts>: Okay, my next question was, if you could just give us some idea of the volumes by region that you often do? You know the broad regions, how the volume trends were in the second quarter? Please.

<A – Stephen Zelnak, Jr.>: Yep. Hang on just a second and I will pull that out. If you take a look at the Southeastern area, that was the area that really went very, very well. In the second quarter volume in the Southeast was up about 7%, and demand was just extremely strong as a function of being able to get it where it was needed, a lot of that being long haul distribution. The shipments in the – what we call our Mid-East division, which is dominated by North Carolina, but runs up through the Mid-Atlantic in Ohio, Indiana, that was down 7%, and that's a reflection of the weather in the Mid-Atlantic and the eastern North Carolina. And it's also a reflection of a weaker environment in Indiana, Ohio with the automotive problems. In the Northwest, which is dominated for us by the farm belt, some weakness there, particular weakness in the Kansas City area, we were down about 5%, and you are seeing some, you certainly seeing pull back in housing in that area. It's not a particularly robust area most of the time anyway. It tends to be dominated by infrastructure. And in the Southwest a lot of this related to shipping difficulties, we were off about 5%. The market would have supported significant growth in the Southwest. We just had trouble getting it to market. Was that helpful?

<Q – Michael Betts>: That's very helpful, Stephen. Just on that last question, I mean with the rail situation, is there any sign of it improving? I mean this situation seems to go on quarter-after-quarter, I mean, is there any reason why it should be better looking forward?

<A – Stephen Zelnak, Jr.>: Well, it seems to bounce around by carrier. What I would tell you right now is that service on CSX has improved. They seem to be functioning better and moving traffic more regularly, and we have seen some pickup in terms of filling orders there, which we are pleased with. We have seen deterioration in the Norfolk Southern, which is unusual because typically they are, they are pretty effective as a carrier, but in the second quarter they were not as effective as their norm. The UP, as I mentioned, really struggling, the BN [Burlington Northern] performing reasonably well, and we are going to put a much bigger burden on the BN going forward, because that new quarry at North Troy with the 5 million tons of new capacity, virtually all of that tonnage is going to go out on the BN, so we are really going to test BN. As far as some

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quick fix, wave your magic wand, I'd don't really think it's there. All the carriers are working I think very hard trying to improve their flows and that's really the key.

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

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Clyde Lewis with Citigroup has the next question.

<Q – Clyde Lewis>: Hi good morning Stephen, or good afternoon Stephen and Anne. Again a couple of questions if I may, firstly on acquisitions, I mean I know it's not a key part of what you want to do at the moment, but are you being tempted at all to maybe pick up a quarry or two that may be coming up for sale?

<A – Stephen Zelnak, Jr.>: Well, I would change the phrasing of what you said, you said it's not a key part of what we would like to do. Don't ever think we wouldn't like to do. We have done 62 of them going back to becoming a public company. So we like to do them when the opportunity is right. We continue to struggle finding things that create value as opposed to the internal CapEx, and we weigh that out. We have looked at many and we continue to look at many, so there is no lack of looking. But when we get down to it, with some of the EBITDA multiples that people want for this properties, you start running the internal rates of return and you run those and you look at single digit numbers, and then you look at your internal CapEx projects, and you are looking at 25% plus numbers, and then you look at share buyback based on what we think our company is doing and set up to do. It's pretty tough to want to invest in single digit IRR acquisitions, and a lot of the pricing, certainly as we have looked at it, that's what you get. So we will continue to look. At some point that will change, it always does, and when it does don't be surprised if we are not back in there as an active buyer.

<Q – Clyde Lewis>: Okay, Okay. Second question I had was on the flow-through of pricing, I think back in, back in May with the your Q1 numbers, you indicated that you would expect 2007 prices to be sort of benefiting by 4 to 7% because of the sort of the momentum that you had in terms of this year's price rises. Has that view changed at all from 4 to 7% at all?

<A – Stephen Zelnak, Jr.>: Well, 4 to 7% I think is probably your number, I think what I said is mid-single digits, and I will let you frame that however you want to. You know the reality is we did get a little bit more than expected, which I have highlighted. You know, does it change the mid-single digits? No, but it certainly does give us some positive momentum and some nice tailwind going into 2007.

<Q – Clyde Lewis>: Okay, okay the last one for me was on the shipping capacity that you are bringing on stream. Has the timing changed for when you expect that to come on stream at all?

<A – Stephen Zelnak, Jr.>: Are you talking about deepwater ships?

<Q – Clyde Lewis>: Yeah.

<A – Stephen Zelnak, Jr.>: No, we are looking at getting some additional capacity flowing in August, and at that point in time, we are going to be balanced out very nicely with long-term agreements on our shipping out of both Nova Scotia and the Bahamas. And then the next thing we will be focused on, we've, we've just completed a docking project at Nova Scotia, which give us more stockpile space and a better docking facility. We will be focusing next on higher speed load out and probably enlarging the capacity of that quarry to go with it.

<Q – Clyde Lewis>: Okay thanks very much.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: We will now hear from David MacGregor with Longbow Research.

<Q – David MacGregor>: Yes, good afternoon Stephen.

<A – Stephen Zelnak, Jr.>: Hey David.

<Q – David MacGregor>: I wonder if you'd help me just sort through the puts and takes on 2007 volume growth, and I mean, you have got new capacity ramping, but you've got shipping capacity issues that you are struggling through, market conditions, there's competitive issues, put it all together for us if you could, and just give us a sense of what we should expect in terms of 2007 volume growth.

<A – Stephen Zelnak, Jr.>: Too early for that. We won't give you those kinds of numbers until we get late in the year. We just try to be directional, and directional is housing down again. Certainly, you can read the homebuilders' releases and that would lead you to that conclusion pretty quickly. Fortunately, the markets we are in seem to be holding up quite well.

<Q – David MacGregor>: Yeah, you don't have a lot of housing exposure.

<A – Stephen Zelnak, Jr.>: Yeah, we're pretty pleased with that and infrastructure and non-res continue to look very good.

<Q – David MacGregor>: What is the, in terms of 2007 from the new capacity, what is that going to give you, in terms of total, if you commented this early, I'm sorry, I got on late, but, what is that going to give you in terms of incremental capacity year-over-year?

<A – Stephen Zelnak, Jr.>: The big change is going to be the North Troy capacity in Oklahoma that we bring in.

<Q – David MacGregor>: Is that the 5 million tons?

<A – Stephen Zelnak, Jr.>: That's 5 million tons and…

<Q – David MacGregor>: You've got Three Rivers, how much is that?

<A – Stephen Zelnak, Jr.>: Well, 3 million tons – excuse me – Three Rivers, we will take a facility that's been doing between 5 and 5.5 million tons and ramp it up to 8 plus. Where we ramp it to will depend upon what the market demands, what it can bear, we are permitted to 12 million tons there.

<Q – David MacGregor>: 2.5 to 3, there?

<A – Stephen Zelnak, Jr.>: Yep, but, I need to qualify that for you, so that you understand what we're doing.

<Q – David MacGregor>: Sure.

<A – Stephen Zelnak, Jr.>: We will be coming out of the facility and consolidating to Three Rivers and the big play at Three Rivers initially is not going to be on the volume, it's going to be on significant cost reduction.

<Q – David MacGregor>: Okay.

<A – Stephen Zelnak, Jr.>: We're going to be running this – the Three Rivers by itself, we run 3 plants. And then we run an additional plant in Illinois. And we'll be consolidating all of that into one facility, running 8 plus million tons with one big operation with dual high-speed load-outs, it's a highly automated facility.

<Q – David MacGregor>: Can you quantify the potential cost savings for us?

<A – Stephen Zelnak, Jr.>: I won't – won't now. Certainly we know what the target is. I may later in the year after we shake this plant down and know exactly where we are.

<Q – David MacGregor>: I mean the Des Moines sand plant, what's that going to give you in terms of incremental volume?

<A – Stephen Zelnak, Jr.>: It's not big volume, it's about 0.5 million tons, but that's a market where sand is short, has some very attractive margins associated with it.

<Q – David MacGregor>: Okay, can you get into the West Chicago market from there?

<A – Stephen Zelnak, Jr.>: No.

<Q – David MacGregor>: Okay, long haul?

<A – Stephen Zelnak, Jr.>: Not unless we've got a dirigible, to, a lot of lifting capacity.

<Q – David MacGregor>: Okay that's it for me. Thank you.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: [Operator Instruction]. We will now hear from John Fox with Fenimore Asset Management.

<Q – John Fox>: Yeah. Hi, everybody, I just have two questions left. One is I seem to remember of period of time in the second quarter Houston had some flooding, a lot of rain, I was just wondering if that impacted your shipments at all?

<A – Stephen Zelnak, Jr.>: They did have two major rain events down there, and certainly at the time those impacted shipments. But the key issue down there was just very simply we couldn't get the material down there that we have the market for.

<Q – John Fox>: And that was transportation related?

<A – Stephen Zelnak, Jr.>: Yes.

<Q – John Fox>: Okay. And than Steve I just had a question, if housing is down 10% this year and some number next year, continuing to decline, why wouldn't that pressure aggregate prices as that demand comes out of the system?

<A – Stephen Zelnak, Jr.>: Well, it depends on where you are and who your customers are.

<Q – John Fox>: Right.

<A – Stephen Zelnak, Jr.>: And the place where, if you look at the housing sector, you've got a couple of components that go into it, ready-mix concrete is a big factor there, and then you have a far amount of material that is backfill material for pipelines, possibly septic, if it's on septic, just a fair amount of miscellaneous material. With respect to the ready-mix, it tends to be customer

alignments as much as anything, because there are certain customers, ready-mix customers who cater to the res market, others who cater more upscale to non-res, bigger projects, high-rise, where you need much more equipment investment. You just can't flip one to the other.

<Q – John Fox>: Okay.

<A – Stephen Zelnak, Jr.>: So, it becomes a question of how people's individual quarries are positioned, who their customers are market-by-market. It's not like you just wake up on a Thursday and say geez, I'm going to go grab some – a piece of somebody's market share. It does come back to positioning physically and geographically and the customer base you serve. When you get down into Florida, it's a little different issue. The concrete business in Florida is limestone business. Our predominant material going into Florida is in fact granite, coming out of Nova Scotia, out of Georgia and out of South Carolina, and that goes predominantly in the infrastructure. So, it's pretty tough to impact us in a big way. We have got a special niche down there that seems to work very well. And there is some advantages to our product. Low absorption of asphalt – with asphalt at today's price is $400 plus, that's, that can be big numbers quick, just on absorption. And also on drying cost, with fuel for the drying, limestone tends to be porous and absorb a lot of water. So, it's really very market specific, as opposed to some generality where you can just intuit.

<Q – John Fox>: Okay, thank you.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: [Operator Instructions]. Turning now to Greg Kools with Metropolitan Advisors.

<Q>: My question was answered. Thanks guys.

Operator: Mr. Zelnak, it appears we have no further questions. So, I'll turn the conference back to you for closing or additional remarks.

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

Okay, thanks for joining us. Obviously, an interesting marketplace, we tried to define it for you as we see it, lot of capacity expansion going on in our company, a lot of effort targeted at driving out cost, particularly with plant automation. We've indicated what we're going to do with excess cash. We've been doing it for a long time, and we intend to keep doing it. So, I think you understand our marketplace, the lay of the land and our game plan probably pretty thoroughly. Look forward getting with you again at the end of the next quarter. Thanks.

Operator: Thank you, Mr. Zelnak. Ladies and gentlemen, that does conclude our conference for today. On behalf of Martin Marietta Materials, I would like to thank you for your participation. Enjoy the rest of your day.

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