MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Martin Marietta Materials Inc. Q4 2009 and Full Year Financial Results Conference Call. Today's conference is being recorded. At this time, I would like turn the conference over to Mr. Ward Nye, President and CEO. Please go ahead, sir.

C. Howard Nye, President and Chief Executive Officer

Good afternoon and thank you for joining our fourth quarter and year-end 2009 conference call. With me today is Anne Lloyd, our Executive Vice President and Chief Financial Officer.

The fourth quarter provided vivid examples of both the perils and prospects of the current economic environment. The final three months of 2009 was a predictably difficult conclusion to a challenging year in the aggregates business. Quarterly shipment declines of 23% were driven by both the weak economy and the wet and early onset of winter muting October's historically strong volumes.

A different story, however, concluded in our Specialty Products business. Regional sales volume and product pricing in both our chemical and lime sectors complemented substantial in place cost controls generating record quarterly and annual performance. Still, for the year, consolidated net sales for the corporation declined over 19% with earnings per diluted share of $1.91, including an $0.18 per share impact for a legal reserve and the $0.11 per share dilutive effect of common shares issued in 2009. In 2008, diluted earnings per share were $4.18.

We experienced down aggregate volume in all major geographic areas of the business, our 15th consecutive quarter of declining aggregate shipments. To put this in perspective, heritage aggregate volumes have declined 40% since the peak of the cycle in 2006, a cumulative peak to trough decline of 80 million tons. In 2006, the aggregate industry's peak, 80 million tons represented the United States' fifth largest aggregates producer.

For the quarter, specific geographic volume declines range from down 33% in our River, Southwest and North Texas/Oklahoma markets to off only 6% in Indiana. Distinct from those particular shipment volume extremes, some of the hardest hit areas for our company included Florida, down 30%; Carolina is off 24% with Charlotte and Greensboro off 30 and 26%, respectively. Ohio was down 24%, North Georgia off 22%, and Iowa, which had been comparatively strong until winter's arrival, was off 20%. Aside from the areas just mentioned, most markets were off on a percentage basis in the mid-to-high teens.

Against that steep and prolonged volume backdrop, we saw 1% decline in aggregate pricing for the quarter compared with the prior year period. However, following 15 quarters of aggregate shipment declines, we're pleased that on an annual basis the vast majority of our geographic areas saw positive pricing movement.

For the year ended December 31, 2009, pricing for the corporation's aggregate products was up 2%. However, during the evolution of the year, we saw pricing extremes from up 23% to down 6%. That said, on an annual basis, most geographies increased average selling price on a percentage basis in the mid-single digits, while the two negative geographic areas, Florida and River, were off 6% and 3%, respectively.

While for the fourth quarter, pricing was down 1%, the vast majority of our geographic markets were either flat or up compared to the prior-year period. Most notably, North Carolina was flat, which alone provides a meaningful example of the importance of the mix, both geographic and product, in the analysis of aggregate average selling price.

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Cost management is and remains a top priority for the corporation. During the fourth quarter, as well as the full year for 2009, our cost of sales were reduced in every significant controllable category. This includes labor, energy, supplies, maintenance and repair, and contract services. We have consistently and carefully reduced our workforce in keeping with the decline in our business.

By way of example, the 123 million aggregate tons shipment level we experienced in 2009, closely approximates our 1997 shipment volumes. In comparing the corporation's current cost structure to 1997, head count is nearly identical, although we now have three times more assets. Yet, volume and head count is where the similarity ends. As compared with 1997, 2009's gross profit per ton was over 50% higher, the result of improved pricing during the relevant time period, as well as disciplined cost management and effective capital deployment.

Our Specialty Products business continued its outstanding performance, posting record earnings from operations and operating margin for both the quarter and full year. This stellar performance was driven by stringent cost controls with notable spending reductions in labor, energy, contract services and supplies.

Gross margin as a percentage of net sales for the fourth quarter expanded over 1,100 basis points to a record 32.4%. For the fourth quarter, earnings from operations of $9.6 million increased by $8.9 million over the prior-year period. For the full year, operating margin as a percentage of net sales expanded by more than 800 basis points to 24.9% despite a 14% decrease in net sales.

SG&A expenses declined by $1.4 million for the fourth quarter and $11.9 million for the year compared with the prior-year period. Total personnel costs declined $4.6 million for the year despite absorbing $6.4 million in additional pension expense. This result is consistent with our stated aim during the course of the year.

Even though 2009 was difficult, our corporation continued to generate excellent cash flow. For the year, $318 million of cash provided by operating activities was only $27 million below 2008 despite consolidated net earnings that were $92 million below the prior year. The decline in net consolidated earnings was largely offset by sharp pullback in capital spending to $139 million, careful control of working capital and lower cash taxes.

Also, consistently protecting our balance sheet and liquidity, we closed both the quarter and the year in excellent shape. At December 31, 2009, we had $264 million in cash and cash equivalents, available borrowing capacity of $423 million and an investment grade credit rate. We expect to use available cash and liquidity to satisfy our April 2010 maturities while thereafter retaining adequate financial flexibility to respond to marketplace opportunities.

Lastly, we took a non-recurring $11.9 million charge related to a legal matter as of December 31, 2009. This non-cash charge was recorded in other operating income and expenses net and reduced diluted earnings by $0.18 per share. As we prepare for 2010, it's obvious that 2009 spending impact of the American Recovery and Reinvestment Act was well below expectations. This delayed economic confusion should mean that the 2010 combination of expected record federal investment in surface transportation and increased stimulus spending will help drive real infrastructure growth.

According to forecast by the American Road & Transportation Builders Association, the value of 2010 infrastructure spending is expected to reach $90 billion, an increase of 8% over the estimated 2009 level. Although there are general concerns regarding state and local spending, states are expected to continue to provide matching funds for the traditional Federal aid program investment and spend their stimulus funding. As a result, our 2010 aggregates view is framed largely as follows.

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First, a very slow first quarter, as contractors delay project startups until winter weather has played out. Number two, increased infrastructure shipments as over 80% of stimulus money was obligated in our top five states in 2009 but less than 15% was actually spent. Third, moderate increases in shipment volume to the residential construction market albeit from an historically low base number.

Next, steady growth of what we now refer to as our ChemRock/Rail segment, formerly known as Other comprised of our desulfurization material, agricultural lime and railroad ballast products. And lastly, declines in the commercial non-residential area as customer confidence and credit issues continue to affect that sector.

As a result, aggregate volumes are expected to increase 2% to 4%. However, the measure of whether 2010 brings our expected volume growth is primarily dependent on the degree of the non-residential downturn. Further, although geographic and/or product mix together with competitive issues, will make aggregate pricing a more challenged area. We currently anticipate flat to 2% increased pricing in 2010.

Based on our current economic view, aggregates volume and pricing growth and a flat to deflationary cost environment should lead to increased sales, improved gross margin and profitability in aggregates in 2010. In specialty products, we expect a good year with an estimate of 40 to 42 million in pre-tax earnings from that segment.

That concludes my prepared remarks. At this time, I'm pleased to take any questions you may have.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And it appears our first question is from Arnie Ursaner with CJS Securities.

<Q – Arnie Ursaner>: Good afternoon, Ward.

<A – C. Howard Nye>: Good afternoon, Arnie.

<Q – Arnie Ursaner>: My question relates to pricing. In your prepared remarks, you spoke to the fact that the majority of your markets did have positive price increases for the year, but highlighted the Southeast Group that in the fourth quarter saw a 7% decline in price year-over-year. Could you comment a little bit more on what the issues are that are affecting pricing in the Southeast and maybe what some of the dynamics are both short-term and long-term that are affecting that particular market?

<A – C. Howard Nye>: Sure, Arnie. Really, when you're looking at the Southeast in this context, you need to think of two things, you need to think of River and you need to think of Florida, because those are two markets that are really long-haul markets for us that have very attractive absolute pricing, but then there are two dynamics that are underway in each of those markets. Number one, Florida is a relatively dislocated, disjointed market right now. The competitive pressures in Florida are immense and the volume pressures in Florida are considerable as well. The other issue that we were faced within the quarter, I didn't say much of it in my prepared remarks is weather was pretty rough particularly in portions of Southeast and that clearly affects the River business considerably.

So when you're dealing with a very different weather environment and market environment in River and you have it in Florida as well, the combination of those two is powerful. What I'll tell you is in both of those markets because of the absolute pricing numbers that you have due to the transportation component, if you can effectively capture the transportation component, that was difficult to do in this quarter particularly in River, then you can take the pricing degradation that we saw in River all by itself and probably cut that just about in half Arnie, and if you took that and cut that in half all by itself, it would really almost move that pricing for the quarter to looking considerably more flattish.

So in large part, it was a distance market issue. The other concept that I would suggest to you is keep in mind about 30% of our market tends to be a long-haul distribution market. And we've done that very much by design, because our view is this is a long-term business. If you want to be in this business for the long-term and you don't have that capability, you are going to be at a competitive disadvantage. We feel like what you saw with pricing in this quarter is simply a one-time snapshot event that you have deal with to have the type of business that we believe we want to have and our investors want us to have for the long haul. No pun intended by the way.

<Q – Arnie Ursaner>: Okay. Thank you very much. My other question is a real quick one related to the cost side of your equation. Can you highlight what your diesel costs were for the year in 2009? Where they are currently? And I think one of the real questions I am leading to is your view that you hope to keep these costs flat over the course of the upcoming year, it seems surprising given the fairly rapid rise and increase we've seen in the price of diesel over the last few months.

<A – C. Howard Nye>: Well, here's where we are for the year, diesel was at 1.62, for the quarter, diesel was at 1.94, really what we've done is we've said we think it's going to be more next year as it was here toward the end of the year. We are not diesel speculators, the fact is it may be more than that, it may be less than that. If it moves in large part, it certainly moves. I would remind you a couple of things about diesel. When energy pricing moves, it isn't always a bad thing for this industry. At times pricing would tend to follow that. The other thing that it does if you have very well

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located positions as we do is it certainly tends to make it more difficult for others to interdict those markets, but that's our approach on diesel right now, Arnie.

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

<A – C. Howard Nye>: Thank you.

Operator: Our next question comes from Trey Grooms with Stephens Inc.

<Q – Trey Grooms>: Good afternoon, Ward.

<A – C. Howard Nye>: Hi, Trey.

<Q – Trey Grooms>: Just a couple of questions. First off, so for the markets that you are planning a price increase for 2010, has this already been implemented? And then, I guess with that, do you expect the kind of flat to up 2% price for the year to pretty much be throughout the year or should pricing improve as the year progresses?

<A – C. Howard Nye>: Yeah, what obviously you won't see much of anything at least in the first quarter of the year and in large part, what you will see Trey, is pricing will start to ease and during Q2 in particular it will be fully in place once we get to that part of the year and it will roll through the balance of the year. It's not going to be the same in all markets, Trey. There were some markets that were down this year, other markets that you heard that were remarkably up. I am not sure that you will see the types of extremes next year as you saw this year but in large part, the pricing that we are looking at for 2010 has been communicated in all the varying markets in which we participate.

<Q – Trey Grooms>: Okay. And then do you have any sense at all of what kind of impact the product or geographic mix had on price in the first quarter given or in the fourth quarter rather? This was the first time we've seen a slight decline in pricing out of you guys and just wondering what kind of impact that those two things, product mix and geographic mix could have had.

<A – C. Howard Nye>: Well, the geographic mix clearly would have had an impact, because you've seen the biggest degradation in volumes really hit two different places, the Mideast, which is going to include Carolina. So when we see more volumes move out of Carolina, we obviously deal that and as we discussed what was happening in Florida and what was happening in River, which are both distance markets, also had an impact on that. So really more of what we would have seen would have been going toward a portion to Southwest that overall tends to have lower product pricing. So I think you really had more of an issue in this quarter, a geographic mix than otherwise.

<Q – Trey Grooms>: Okay. And then looking into the first quarter with the – I guess it's going to be a tough quarter you said, weather and everything, it's going to be a very difficult quarter. Is there any reason to think that that geographic mix could shift any during the first quarter?

<A – C. Howard Nye>: Trey, it's really hard to see anything shifting in the first quarter, but frankly, it's hard to see much going on in the first quarter. Contractors are not coming into this year with an enormous book of business. Typically, they're not faced with anything that may look like liquidated damages for their business, so they don't feel the need to get back particularly early. And I think what contractors are going to do Trey, is they're going to wait as I tried to indicate in my remarks, until they really feel like they can operate incredibly efficiently and then go to work. So, I'm not sure that you will see geographic products or other type of mix change in Q1. I think those are your drivers in Q1.

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<Q – Trey Grooms>: Okay. And then my last question is, could you give us an update on M&A? Last quarter, you mentioned, I believe it was 150 million in LOIs that you had out. Can you kind of give us the progress report there?

<A – C. Howard Nye>: We still have a series of LOIs out, as you would imagine knowing us, as well as we do, as you do, we look very carefully at what we're contemplating on, we're still looking at a series of transactions. It's unclear precisely when or if any of them will close. I would tell you there's not a huge amount of M&A activity out there right now. But that said Trey, we do continue to see a steady diet of transactions in our relevant geographic markets, fit to us are attracted.

<Q – Trey Grooms>: Okay. Thanks, Ward. I'll get back in queue. Thanks for taking my question.

<A – C. Howard Nye>: Thank you, Trey.

Operator: Our next question comes from Garik Shmois with Longbow Research.

<Q – Garik Shmois>: Thanks for taking my question. I was wondering if you could talk a little bit more about your outlook for infrastructure spending. Ward, you mentioned that really the principal risk that you see right now to your volume guidance comes from commercial construction declines but what would happen if, we're seeing the Senate convene here with possibly introducing a jobs bill and shoring up Federal spending, what if that doesn't materialize, what kind of risk is there to the downside?

<A – C. Howard Nye>: I guess what I would say is I don't think there is a huge risk of the Senate really doing that, to begin with. I think everyone realizes they need to go and swing this thing. That said, really this is going to be a year that's all about stimulus in many respects. So if really that is going to be the focus from an infrastructure perspective, even if our government continues to operate in certain fashions that at times appears dysfunctional, I think we can still function. We just can't just function as well as we would like.

<Q – Garik Shmois>: Okay. And just a question regarding the capped inventory. Is it possible to give us an update or of how much volumes perhaps would have to come back before you have to start booking the excess inventory that you've been expensing?

<A – Anne Lloyd>: Garik, this is Anne. It's not a question of the volumes coming back on inventory, that's already been kept on the ground. I mean, it will be for new production that's out there, that's really not the relevant issue with that excess inventory. It'll be sold when volumes come back and probably, my thought is that takes probably 18 to 24 months to get that back into the system.

<Q – Garik Shmois>: Okay, that's helpful. Thank you very much.

Operator: Our next question comes from Jack Kasprzak with BB&T Capital Markets.

<A – C. Howard Nye>: How are you doing Jack?

<Q – Jack Kasprzak>: Hi, Ward. Can you hear me?

<A – C. Howard Nye>: I can hear you now.

<Q – Jack Kasprzak>: Oh, thank you. Sorry about that. I was going to ask as a follow-up to that, could you update us on the amount of that inventory you have for the year?

<A – C. Howard Nye>: Yeah, the inventory that we have for the year is a little bit over 50 million tons. That's up I want to say, Jack, about a million five from prior year. And of course, part of the

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issue that you are faced with from an operating perspective is one that you know well. We had a strong push to produce clean washed stone, primarily for asphaltic products during the course of the year. And when you are making that, you're making products at times that you are not going to be able to sell immediately but still products that you are going to sell in the long-term. But it was that $1.5 million year-over-year delta that I think you were asking about.

<Q – Jack Kasprzak>: And I assume it's spread over a variety of markets. I mean, is it over that 18, yeah?

<A – C. Howard Nye>: It is, Jack, it's spread throughout the entire enterprise.

<Q – Jack Kasprzak>: Okay. Secondly, in the press release, there's just a reference in the risk section to the 2010 outlook that the outlook is in part based on that a federal highway bill will be reauthorized. I mean is that as straightforward as it seems? In other words, if there is no new six-year bill that you guys feel like there's downside to the volume guidance?

<A – C. Howard Nye>: I'm not sure that there's so much downside to volume guidance in '10. That probably ends up being much more of an '11 issue. The one thing that it does do though, Jack, is it does tend to constrain DOTs to undertake longer-term planning for projects. And so what you are not seeing as aggressively as we would otherwise would be good solid projects coming out of their pipeline. They may not necessarily be projects that would go this year, but does make the program run much more smoothly and efficiently.

<Q – Jack Kasprzak>: Got it. Okay, thanks very much.

<A – C. Howard Nye>: Sure, Jack.

Operator: Our next question comes from Jerry Revich with Goldman Sachs.

<Q – Jerry Revich>: Good afternoon, Ward and Anne.

<A – C. Howard Nye>: Hi, Jerry.

<A – Anne Lloyd>: Hi, Jerry.

<Q – Jerry Revich>: Can you help us reconcile your prior comments on pretty limited M&A opportunities with the capacity that you've created on your balance sheet this quarter by renegotiating the debt covenant and also issuing a little bit of equity?

<A – Anne Lloyd>: Yes, Jerry, the capacity that we created on the balance sheet with the debt covenant really was in response to ensuring that we kept adequate cushion between what we anticipated to be our leverage ratio, it purely was driven by that factor as opposed to providing extra capacity to go out and issue debt.

<Q – Jerry Revich>: Okay. And just to clarify an answer to the prior question, so the $150 million of acquisition that you were looking for a quarter ago, are those still in play or were you not able to come to terms on a good chunk of those LOIs?

<A – C. Howard Nye>: No, well, Jerry, we continue to be involved in a handful of different activities. We're obviously constrained by confidentiality agreements on those, so we can't go into a great deal of detail about them. But again, Jerry, it would be a number of some significance if we brought them all to closure and to conclusion. My guess is we will not bring them all to closure or conclusion, but we're going to look at all of them very carefully and move in the ones that we think make good sense in the short-term and the long-term for our business.

<Q – Jerry Revich>: Okay. Thanks for the clarification. And can you please rank order for us which regions you're most optimistic on pricing in 2010?

<A – C. Howard Nye>: Jerry, the long and short of it is the best pricing outlook probably in 2010 it's going to be in some portions of the Southeast then to the Southwest and then probably down the River and the Midwestern markets.

<Q – Jerry Revich>: Okay. Thank you very much.

Operator: Our next question comes from Keith Hughes with SunTrust.

<Q – Keith Hughes>: Thank you. First question on the guidance, you talk about what kind of nonresidential slowdown do you expect in those numbers?

<A – C. Howard Nye>: We're thinking nonres maybe down in the 20ish percent category.

<Q – Keith Hughes>: And that would be among all sectors, is that correct?

<A – C. Howard Nye>: Among all – well, I guess the question that I've got is really how does nonres look as the year goes on and here is the component that I would draw there for you to ponder, because we have as well and that is I think the office and retail sector is particularly hard hit. I think the question is what does heavier industrial look like for the end of the year, because if we're going to be in a deflationary cost environment for much of the years, I believe that we will.

At some point, if your industry and you have projects and you have financial capacity, you may want to move on them. Take for example, what you see going on in infrastructure right now, much of the infrastructure bidding work that is going on over the last year has come in 20, 25, sometimes 30% below engineers' estimates. So clearly the states and governments are getting good value for the projects that they are awarding right now. At some point, you may see that on the heavy side. So I guess our view is we see nonres as a whole down 20ish. We think the heavy side of that maybe not so much.

<Q – Keith Hughes>: Okay. That clarifies it. Second question, I was surprised at your comments earlier about a reauthorization of the highway bill. If we continue to see the Congress drag its feet on this and we just get these month-to-month patches or two month patches, would that not cause volume problem sometime during the paving season in 2010?

<A – C. Howard Nye>: I am not sure that it will cause a huge issue in 2010, again, I think '10 in many respects is by projects that are there and about stimulus work that's coming behind it. I think the reauthorization issue is a much broader long-term issue.

<Q – Keith Hughes>: Okay. That wouldn't take away from some of the stimulus spending by taking away some of the normal spending?

<A – C. Howard Nye>: I don't think materially so, at least in '10.

<Q – Keith Hughes>: Okay. And, Anne, to follow-up in your comments on the debt covenant and the cushion. Given the view that you've laid out of volume growth and profit growth, it seems that the ratios will just be coming down. I'm just a little confused by your comments as well.

<A – Anne Lloyd>: Well, Keith, they will be coming down, but as a reminder, we don't have a net debt covenant and we have a maturity due in April and we've got the cash available to pay that off, but until we pay it off, it's still considered part of debt.

<Q – Keith Hughes>: Okay. Gotcha.

<A – Anne Lloyd>: So, we were trying to make sure we maintain enough cushion, since we don't – we asked for a net debt covenant, but we were unsuccessful in achieving that, so we just went for an increase in the actual leverage covenant itself.

<Q – Keith Hughes>: I understand. Thank you.

Operator: Our next question comes from Kathryn Thompson with Thompson Research.

<Q – Kathryn Thompson>: Hi, thank you very much. I want to focus on your end markets looking forward. First, do you have a projection of what you think your end market mix will be in 2010, understanding that public spending will understandably be higher on a percentage basis? And then also, you just mentioned – you gave your projection for nonres being down on the 20-ish percent, could you also clarify where you see public and residential for your markets in 2010?

<A – C. Howard Nye>: Yeah, Kathryn, back to your first question. You see where we were in 2009, the way our business broke down, we're not at a point that we want to project what we think that's going to look like in 2010. Honestly, I don't think it's going to remarkably different than we've seen in '09, but aside from that, I don't think we can be anymore specific. Going to those different buckets and giving you a sense of the movement, the way we would tally that up I think we see infrastructure up probably around 8%. I think we think residential is likely to be up around 20%, our ChemRock/Rail component after the CEMEX transaction in particular probably be up around 10% and then as you referenced, we had already discussed nonres, our commercial down is 20.

<Q – Kathryn Thompson>: And thinking about volume improvement, I just wanted to see, are you seeing any improvements in volume from certain markets, particularly ones that have seen a greater relative percentage of the float even directionally, any other color about that would certainly just be helpful?

<A – C. Howard Nye>: Well, obviously so far in '10, there's no color to offer anywhere and, but what I would tell you is really go back and take a look at what we said in Q3, with what we had seen in Iowa and the way volumes had moved there, I think what it demonstrated to us Kathryn, to try to answer your question, but hit something, I think, is even more compelling, is how powerful this business is when even varying degrees of volume come back to it with the leverage that we have of this business right now, keeping in mind that we're probably looking at a 60% or more incremental margin on new tonnage when it comes back into this system. I think that's something to be incredibly sensitive to, but it's hard for me to tell you right now in early February what markets we see coming back and what type of strength in particular we could note for you.

<Q – Kathryn Thompson>: And then it sounds so reasonably it really won't be until Q2 see – until you see any realization of this?

<A – C. Howard Nye>: My guess is, Kathryn, it's going to be April before people really go back to work in earnest. And I think there are a couple of months in the aggregates business, not so much for Martin Marietta, but rather for the industry that I think are of moment. I think May is a month worth watching, and I think October is always a month worth watching and October this past year as you know was pretty miserable month in this part of the world.

<Q – Kathryn Thompson>: Okay. Great. Thank you so much.

<A – C. Howard Nye>: Thank you, Kathryn.

Operator: Our next question comes from John Baugh with Stifel Nicolaus.

<Q – John Baugh>: Thank you. I had a question on North Carolina. I think you said the volumes were down in the mid-20s, but if you could just cover that again and pricing was flat there, I was curious as to your outlook in '10, what impact, whether other unusual things in North Carolina and particularly an update on their state situation in terms of funding.

<A – C. Howard Nye>: Well, North Carolina clearly did have a pretty ugly October as did most Southeast United States. As you recall, we break it down into three different groups here. We have Charlotte area, we have the Greensboro area and then one Raleigh as well. Charlotte has clearly felt the economy in a very acute way.

The banking industry has profoundly affected Charlotte that – I don't think that's a surprise to anyone, Greensboro, High Point and Winston-Salem, the triad has really been in more of a recession than any other major part of the state for an extended period of time now and we were feeling that. Raleigh, you see considerably more infrastructure work in this part of the state than you do in other parts of the state.

And the other thing that you are going to see this year in particular is you are going to start seeing work in earnest going on with respect to our first toll roads here in North Carolina and we have a couple of contracts on that. So we feel like on the infrastructure piece of it here in North Carolina particularly as you get to Raleigh and you move east, it's going to be a pretty fair picture.

<Q – John Baugh>: And what will, in North Carolina or the company in general see increased paving work, road work which has higher margin to it, how do you see the mix playing out in your pricing guidance for '10?

<A – C. Howard Nye>: What the interesting thing on the mix is, mix isn't really a driver on margin for us. Mix ends up being an issue really more for you when you are tallying up ASP at the end of a quarter. For us, really the margin that we would make on base or the margin that we'd make on clean washed stone isn't remarkably different. But the ASP for those products can be remarkably different. If you're moving from product to product even within a geography, it can move as much as 20 to 40%. You can have that same type of movement on the same product from different geography to different geography.

So, will we see different products going this year as stimulus is more mature? Yeah, we probably will. Will we see more base going in some jurisdictions than we did last year? Yeah, we probably will. Is that base a lower priced product? Yes. Is that going to affect margin? No, it's not. And one thing that it's going to do for us is it's going to help us keep our plans remarkably better balanced, because clearly you're making a host of products as you're trying to meet the asphalt needs anyway. So, I think we will see the mix shift around a little bit. I'm not sure from a profit perspective or from where you sit that matters. I think it does optically relative to ASP.

<Q – John Baugh>: And my last question was on the residential, you said up 20%. Can you help us again understand where the demand for aggregates comes relative to the timing of a housing start? And I guess my concern or question really is how much development work has been done already where homebuilders are waiting to build homes but you've already laid out the cul-de-sac with the aggregates? How does all that timing always happen and help us with the 20% number?

<A – C. Howard Nye>: Well, I'll give you a sense of the way it works and then I'll let you to do your math, how about that? As a practical matter, about half of what we saw the residential, it's going to find its way into the subdivision. So, if we're looking at say, let's use the easy math. So it's 10% res, 5% of that's going to go into the streets, curb, gutter, water, sewer, etcetera and the other 5% to your point is going to find its way into the structure. So really what you're needing to do is to get a sense of it is how are these different communities in the Southeast and Southwest looking from a maturity point, absorption perspective because if they're building new homes and bulldozers are going in, we're going to be on the front end of that and we're going to put more into it. To your point,

if they have put in all the roads, all the infrastructure and all they need to do is build the houses, then basically half of it is already done from our perspective.

<Q – John Baugh>: Thank you.

<A – C. Howard Nye>: Sure.

Operator: Our next question is from Ted Grace with Avondale Partners.

<Q – Ted Grace>: Great, thank you.

<A – C. Howard Nye>: Hi, Ted.

<Q – Ted Grace>: First question on – how are you doing, guys?

<A – C. Howard Nye>: Good.

<Q – Ted Grace>: Great. First question will be on fourth quarter pricing, could you just comment on the reported number relative to where your expectations would have been kind of inter-quarter, beginning of the quarter and even in January? Was there any deviation, I'd say based on my interpretation and guidance, and I think clearly the stocks reaction, I think the market looking for something better than negative ones, so I was just wondering if you could clarify that point first?

<A – C. Howard Nye>: Well, I think we've been pretty clear that pricing was becoming more and more challenged. I don't think this is a huge surprise and that's really gone back to the first question that I tried to address with Arnie, because I don't see what's happening here as this remarkable dislocation. I think what you have are some very discrete issues that are primarily driven by our long haul and distance markets. If I go through and tally up the different markets that we're in and in my own mind of way I take a snapshot of it is they are about 21 different markets that I look at as I'm determining how price moves. I can tell you that in the vast majority of those, I see green numbers as opposed to red numbers. So if I want to give you at least some direction on where it is, that would certainly give you give a sense of it. Again if you took Florida and River out of that, those clearly skewed it. And even as I've said, if you were able to do nothing more than capture the transportation costs in River, you are about flat.

<Q – Ted Grace>: Okay. And just in terms of one of the things that we've talked about from time-to-time is kind of the competitive behavior and you had one competitor with a lot of geographic overlap that reported negative nine pricing. Just wondering if you have any comments on – you're seeing more discipline in the market, if it's more the status quo or any change in that regard?

<A – C. Howard Nye>: You know what, I don't see remarkable changes, as we said, it is very competitive. There are a number of players who are playing for some cash costs right now and they have been very clear about that and I think you can look at the numbers in these different market areas and have a pretty good feel for how that works.

<Q – Ted Grace>: Okay. And then last question would just be, on the M&A side, I guess my sense as I think about Steve's philosophy on M&A was real kind of focus on the upstream side of the business. Ward, any reason to think you may have a different philosophy or a greater appetite to consider the downstream side of the business?

<A – C. Howard Nye>: Well, I would say what – I am an aggregate guy at heart, so I'll begin my comments with that. My aim and the company's aim is to be in what we feel like are attractive long-term markets and we want to be in a number one or number two market position in those markets. What we feel and what we believe is that aggregates is the common denominator in all of the different products and that's where we want to be. I'll answer your question this way, if someone

comes to us and they tell us that they have a fantastic ready mix business for sale, but it doesn't have an aggregate component to it, we're probably not that interested in it. On the other hand, somebody has a very attractive aggregates business and it may have appended to it an attractive downstream business, that's probably something we're going to look at. Now, whether we maintain that downstream business and for the transaction, that's another question and another set of analyses. But that's really the take that we have.

<Q – Ted Grace>: Okay, great. That's helpful to understand. Thank you much.

<A – C. Howard Nye>: The one last thing I would offer to you is as you look at downstream businesses, no one has mentioned it, but I'll take what we have in Mag Specialties day in and day out over ready mix business or our hot mix business today.

<Q – Ted Grace>: But the opportunity to expand that on the acquisition front is probably less though, right? It would be more kind of organic and product growth and...

<A – C. Howard Nye>: That's entirely correct, but we do recognize that too, sure.

<Q – Ted Grace>: Okay, great. Thank you much.

<A – C. Howard Nye>: Thank you much. See you.

<Q – Ted Grace>: Bye.

Operator: Our next question comes from Clyde Lewis with Citi.

<Q – Clyde Lewis>: Good afternoon, Ward. Good afternoon, Anne. I think I've just got one last if I may and just coming back to SAFETEA-LU and the renewal process there, I mean can you just say a little bit more about the timing? I mean, you've obviously alluded to sort of a renewal in 2010, I mean, what are the sort of dangers that goes through into 2011, but also sort of if you can talk a little bit more about sort of what sort of scale do you think it could end up being?

<A – C. Howard Nye>: Well, Clyde, probably the good news and the bad news about that is it seems to change pretty regularly on us. Here's what I suppose we believe, Clyde. From a timing perspective, the administration has always been clear they wanted from the get-go an 18 month extension to that anyway. Our guess is that when the Senate and others come backup probably extend what we have until the end of the year. I think the other thing that people recognize is they have to find a way to pay for whatever is next and it's a tactical matter the way to pay for that is likely going to be through a gas tax or some part of user fee. That's going to be a pretty unattractive prospect for them to consider prior to mid-term elections. Our guess is Clyde, what you'll see is some serious movement on that after the mid-terms, I think in any event whatever happens with that this year, really doesn't have a profound effect whatsoever on '10. I think it's going to matter to a degree in '11 only because it put states in a position that they can start planning more meaningfully, because right now they can't. And actually they're very clear in telling us and in telling their elected representatives that they can't do that and their hands are tied.

<Q – Clyde Lewis>: Okay. And in terms of scale, I mean again, I mean there's obviously still so much to play for, and post midterms everything could change a fair bit. But I mean the sort of 450 billion to 500 billion that was talked of being the upper end, I mean do you think that's pipe dream now?

<A – C. Howard Nye>: I'm not sure that that's a pipe dream. I think everyone understands that the infrastructure is tired. I think everyone understands they have to find a way to create jobs. And if the administration and others don't recognize that really that's what this is all about at this point then they are missing what was a very clear message the people of Massachusetts surprisingly said the

other week. So my guess is that that's likely what we'll see. And a bill in that four, mid-four range, I don't think, Clyde, is out of the realm of possibility whatsoever.

<Q – Clyde Lewis>: Okay. Thanks a lot.

<A – C. Howard Nye>: Sure. Thank you.

Operator: Our next question is from Chris Manuel with Keybanc Capital Markets.

<Q – Chris Manuel>: Good afternoon.

<A – C. Howard Nye>: Hi, Chris.

<Q – Chris Manuel>: Couple of questions for you. I know this is incredibly difficult to do. But could you, you may be give us some sense of well, what your thoughts from 2009, what you had from stimulus oriented aggregates volumes? And what in your 2010 assumption are stimulus components of volumes would look like within there?

<A – C. Howard Nye>: You know what Chris, I don't know that we could really break it down for you at this instant to get you a snapshot of entirely what that looks like. And as you said, that's a pretty difficult thing to look at and try to – to capture. And honestly I'm not sure for 2010 how much it really matters, I hate to say that. But I think in large part that volume component is going to be what that volume component is going to be. And whether it's funded from stimulus or whether it's funded from the normal programs, I don't think that particularly matters.

<Q – Chris Manuel>: No, it's a good point. But what I'm more, I guess, trying to get after is as you look out to 2011, 2012 and some of those programs begin to roll off, ideally that new highway bill would augment or pick up some of where that left off. But how do you view that as a risk as you look out over the next couple of years?

<A – C. Howard Nye>: Well, Chris, I agree with that. I think we do need to have a highway bill for the long-term to provide stability there. I think the other thing that's worth thinking about too and while we are the first to say you're going to see most of stimulus spent in 2010, there is likely to be more spent in '11 and maybe a dribble over into '12 than people would have thought, back to the point that we made a little while ago and that is projects are being bid 20, 25, 30% below the engineers' estimate. The fact is they're going to have more money and they would push it through more projects and go farther than they thought they would have been in the first instance. That's going to give us a nice tailwind even ex the highway bill going into '11 and into '12. But your point is not missed. We do need that highway bill and there is no question about that.

<Q – Chris Manuel>: Is it your impression, and I recognize this is a moving target as well, but is it your impression that in the next component of a bill we'll likely be able to pick up that incremental 25ish, 30ish billion a year that above and beyond where safety lou was to keep that level intact?

<A – C. Howard Nye>: It's tough to say, Chris, but I think you can certainly come up with the math to answer that question, yes. And I don't think it's a stretch.

<Q – Chris Manuel>: Okay. The last question I had, as you look at what you're doing this year with pricing, a couple of points is very important but as you think about inflation, clearly as we look today, diesel costs would appear to be above where we were as an average last year. I know you guys have done an outstanding job and I commend you for what you've done getting cost out of the system. As you look at 2010, do you think that – you've enjoyed over the past few years some significant net price move – do you think that putting into it balanced inflation and what you have got in price that you will be able to maintain at least a neutral position in 2010?

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<A – C. Howard Nye>: I like to think that we will and in large part because we always find a way on the cost side to keep tackling it. And I think we will continue to do that, Chris. I have to commend the operating team in this organization here on the call, but they have done absolutely a fantastic job. So I think we will be able to continue to tackle that with effectiveness.

The other thing that you have to believe happens at some point is some degree of volume comes back to this. Again, Chris, to imagine not losing market share, and I don't believe we've lost market share, but we've seen 80 million tons just go away because that's what the market has done. I think the conversation perhaps you and I have had in the past before, if we simply recover half of that volume that we've lost, with the cost structure that we have without making huge moves in pricing, we can be back to record profitability.

So I think it's really taking the cost structure that we have, recognizing price is going to come back when some degree of volume comes back, but still the leverage is what I'm focused on at this instant because I think it's just so powerful.

<Q – Chris Manuel>: Yeah. That's helpful. Thanks for the color, Ward.

<A – C. Howard Nye>: All right. I'll see you.

Operator: Our next question comes from the Kevin Bennett with Davenport & Co.

<Q>: Hi, guys. Thanks for taking my questions.

<A – C. Howard Nye>: Sure.

<Q>: The first question is on the Specialty Products segment, you guys have done a great job of getting the gross margins kind of into the low to mid-30s. It looks like the 2010 guidance is kind of in that range as well. Looking past 2010, is that level sustainable? Would you provide some color on that or what your thoughts about that?

<A – C. Howard Nye>: I don't see anything that makes that not sustainable for that business. Our operating team there has again done a great job beginning with Ops first. At the same time, we've moved more and more into the specialty products of that. The component of it that's most cyclical is the steel component of it. And really that's going to be about 30%-ish of that.

<Q>: Okay.

<A – C. Howard Nye>: And so you do have to stay focused on that directionally to get a good feel for it. But that said, we've been very careful to move that business into different products that have the type of scope and growth to them that we would like to have for the long-term. And we think that business is positioned remarkably well, not just for next year, but for a good long run.

<Q>: Okay, great. Thanks for that. Second question, you mentioned in the release this morning that you thought SG&A would be flat this year excluding, I guess, some pension contributions. Can you provide an amount to that or just some comments on that?

<A – Anne Lloyd>: Yeah, our SG&A cost this year, Kevin, we do think it will be flat excluding those one-time costs. We do have some supplemental retirement plans here that we will have to do some payout and accrual of cost related to those this year with some executives departing.

<Q>: Can you comment on the magnitude of those contributions or?

<A – Anne Lloyd>: Well, the total pension contribution this year is expected to be about $35 million in cash with 20 million in the normal recurring pension contribution, about 15 for some other

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payouts under that supplemental plan. I think the cost will translate, the expense will translate into about $5 million.

<Q>: Okay, great. Thank you for that, Anne. And my last question kind of following on to what Chris was talking about earlier with the pricing growth, looking longer-term into 2011 and 2012 as volumes do come back, what are you looking for in terms of year-over-year pricing growth out there? Do you think you can get back to the mid-to-high single-digits? Or anything you could comment on looking further out than 2010 would be helpful.

<A – C. Howard Nye>: As you know, the farther out we get, the tougher it is today, isn't it?

<A – Anne Lloyd>: Yes.

<A – C. Howard Nye>: Realistically looking out a year or two, really the volume is what matters, I mean you nailed it. Some degree of volume comes back to this, pricing in the four, five, six in that mid-single digits range is not something that I feel like is a huge stretch at all...

<Q>: Okay.

<A – C. Howard Nye>: ...to see that consistently throughout. And I think really as you have a longer term form of recovery, you might see better than that, but I think realistically in the timeframe that you're talking about, provided you have some tailwind with volume, I don't think that's unrealistic.

<Q>: Perfect, thank you guys very much.

<A – C. Howard Nye>: Thank you.

Operator: And we'll take our final question from David Tepperman with Greenlight Capital.

<Q>: No, I think our question was answered. Thanks.

Operator: With no other questions in the queue, I would now like to turn the conference back over to Mr. Nye for any additional or closing remarks.

C. Howard Nye, President and Chief Executive Officer

Thank you again for joining us today and for your interest in Martin Marietta. I think it's no secret to anyone that 2009 was a challenging year. But as I believe you know, despite the year's many headwinds we made money in 2009, and importantly we did it by managing the near-term but not sacrificing the long-term. And accordingly, I want to make sure I congratulate our team for a job well done in 2009. And I want to assure our shareholders of our total commitment to do it again and all the while be in a position to avail ourselves of market opportunities as they become available. We'll speak to you again at the end of Q1. Thank you all very much. Bye-bye.

Operator: That does conclude today's conference. Thank you for your participation.

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