PARTICIPANTS

Corporate Participants

C. Howard Nye – President, Chief Executive Officer & Director
Anne H. Lloyd – CFO, Treasurer, EVP & Head-Investor Relations

Other Participants

Arnie Ursaner – Analyst, CJS Securities, Inc.
Jack F. Kasprzak – Analyst, BB&T Capital Markets
Jerry D. Revich – Analyst, Goldman Sachs & Co.
Keith Brian Hughes – Analyst, SunTrust Robinson Humphrey
Mike F. Betts – Analyst, Jefferies International Ltd.
Kathryn I. Thompson – Analyst, Thompson Research Group LLC
Ted Grace – Analyst, Susquehanna Financial Group LLP
Adam Rudiger – Analyst, Wells Fargo Securities LLC
Trey Grooms – Analyst, Stephens, Inc.
Garik Shmois – Analyst, Longbow Research LLC
Brent Thielman – Analyst, D. A. Davidson & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to Martin Marietta Materials' Third Quarter 2011 Earnings Conference Call. [Operator Instructions] Later, we'll conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Mr. Howard Nye, President and Chief Executive Officer. Sir, you may begin.

C. Howard Nye, President, Chief Executive Officer & Director

Good afternoon and thank you for joining Martin Marietta Materials' Quarterly Earnings Call. With me today is Anne Lloyd, our Executive Vice President and Chief Financial Officer. We're please to share out third quarter results and trust this discussion will be helpful to you.

Third quarter earnings per diluted share surpassed market expectations. Excluding the $0.04 per diluted share impact from a nonrecurring early retirement benefit, our adjusted earnings per diluted share was $1.11. This performance is supported by our company's disciplined business approach, resulting in aggregates product line price growth for the third consecutive quarter.

Additionally, our Specialty Products segment has set a new quarterly record for net sales, as well as a new third quarter record for earnings from operations. The continued successful execution of our financial and operational strategies, which includes the prudent use of capital for attractive acquisitions and sustained dividends, has allowed us to outperform others in our industry and enhance long-term shareholder value.

We have previously stated our view that pricing increases reported during the year would be sustainable. Confirming that, we continued our pricing momentum despite a 2.2% decline in our heritage aggregates product line shipments. Lead by our Southeast group, we achieved pricing

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improvement in each of our aggregates segments, with an overall increase of 2.8% in our heritage aggregates product line. Importantly, the majority of our geographic markets experiencing volume declines still reported pricing increases.

Cost control has always been an essential to our solid financial performance. Commitment to this objective is evident in our controllable production costs and selling, general and administrative expenses. We reduced third quarter direct production costs in our heritage aggregates product line, specifically lower personnel, repairs and depreciation expenses allowed us to absorb a 16% increase in noncontrollable energy costs.

Diesel fuel remains the single largest component of our noncontrollable energy expenses. For the quarter, we paid an average of $3 per gallon, which represents a 46% increase over the prior-year comparable period. Overall, this increase in the price of diesel fuel reduced our earnings for the quarter by $0.08 per diluted share. Diesel also indirectly impacted costs for transportation and raw materials.

Selling, general, and administrative expenses for the quarter increased $2.3 million, inclusive of a nonrecurring $2.8 million charge for an early retirement benefit. After adjusting for this nonrecurring charge, SG&A costs for the quarter were 6.6% of our net sales, an industry-leading performance. Moreover, despite this nonrecurring charge, our 2011 year-to-date SG&A expense compares favorably with 2010.

Our Specialty Products business continues to perform exceptionally, driven in part by a steel utilization rate that has remained above 70% for much of the year. Net sales of $50.4 million were 19% higher than the prior-year quarter, representing a new quarterly record. This sales growth directly led to a new third quarter record earnings from operations of $15.6 million, a 240-basis point expansion of this business's operating margin excluding freight and delivery revenues. Based on these strong operating results, we are again upwardly revising our full year earnings guidance for this business.

We continue to deploy capital prudently to enhance long-term shareholder value. As part of this objective, we evaluate business development opportunities with the goal of establishing or maintaining a leading market position in areas with attractive growth demographics.

To illustrate, recently, we announced an asset exchange agreement with Lafarge. Under the terms of the agreement, we'll acquire significant aggregate sites, vertically integrated hot mix asphalt and ready mix concrete plants and a road paving business in and around metropolitan Denver, Colorado. This transaction provides an opportunity to expand our geographic footprint in an attractive market with compelling long-term growth prospects driven by a per capita income above the national average. We expect to complete this transaction during the fourth quarter.

For the nine months ended September 30, we invested $94 million of capital, primarily from maintenance initiatives. We also invested and targeted organic growth projects including the new dolomitic lime kiln project at our Specialty Products business in Woodville, Ohio. This $53 million kiln project should be substantially complete by the end of 2012.

Our ability to distinguish ourselves from others in the industry is also seen through our sustained dividend payout to shareholders. While many competitors have significantly reduced or suspended dividends to preserve capital, we've maintained our payout rate throughout this prolonged economic downturn without sacrificing our balance sheet strength, financial flexibility or capital deployment opportunities.

At September 30, 2011, our ratio of consolidated debt to consolidated EBITDA was 3.07 times, in compliance with our limit of 3.5 times. As mentioned earlier, our heritage aggregate shipments declined 2.2% for the quarter. Recently, Congress extended federal highway funding through

March 31, 2012. However, the absence of long-term federal funding has shifted state spending toward maintenance and other shorter-term projects that tend to be less aggregate-intensive. Further, the current macroeconomic environment has increased the dependence of infrastructure construction spending on the strength of state budgets and the existence of alternative funding mechanisms.

As a result, our infrastructure shipments declined 3% for the quarter. We are encouraged, though, by the significant amount of federal-highway funds obligated in September, which coincides with the end of the federal government's fiscal year. This reinforces our belief that strong, underlying demand exists for infrastructure projects and once long-term federal funding is resolved, growth and this end use will quickly follow in the markets in which we operate.

Aggregate shipments to the commercial component of the nonresidential construction market, namely office and retail, increased over the prior-year quarter, most notably in our West Group. Specifically, construction near local military bases resulted in a 65% increase in office and retail construction shipments in our San Antonio district. However, this growth was offset by a reduction in energy sector shipments, which have been constrained by low natural gas prices and reduced shipments to the nuclear power and wind energy components of the sector.

Cumulatively, our quarterly nonresidential shipments declined slightly versus the prior year.Our residential end-use shipments increased 9%, while ChemRock/Rail market was unchanged, each compared with the prior-year quarter.

A variety of factors beyond our direct control make it challenging to forecast future performance. We continue monitoring activity in Washington, D.C. and are pleased to see increased dialogue regarding the need for a multi-year surface transportation bill as part of jobs creation. The President's jobs speech in September to a Joint Session of Congress provided a catalyst for action, as both major political parties recognized the job generative power of infrastructure investment as well as it's important to overall economic growth, public safety and general welfare. On November 9, the Senate Environment and Public Works Committee will hold a hearing on proposed two-year, reauthorization bill.

However, given the national deficit and the continued sensitivity to all government spending, the issue of long-term federal infrastructure funding is far from resolved. This ongoing issue, along with the shift to more maintenance-level work, has required us to revise our outlook for infrastructure shipments. We now expect this end-use market to be down in the mid-single digit range for the year.

We anticipate the trends in nonresidential shipments to continue with improvement in the commercial component being offset by a reduction in some portions of the energy sector. Overall, we expect a slight decline in the nonresidential market. Our residential shipments should increase comparably to the rate of improvement in 2010, and finally our ChemRock/Rail shipments are expected to be down slightly from 2010. Giving consideration to the dry weather and the strong agricultural lime shipments in the fourth quarter of 2010, we now expect our aggregate shipments for the full year 2011 to range from down 2% to down 4%.

We believe our pricing momentum is sustainable and reaffirm our previous guidance for our aggregates product line. Again, we expect average selling price to range from an increase of 2% to an increase of 4%. We expect direct production costs for the aggregates product line to decline for the full year. However, lower production in response to decreasing shipments and the duration and magnitude of higher energy costs are expected to result in a higher overall production cost per ton for the year.

As stated earlier, we are increasing our earnings guidance for our Specialty Products segment. This business is now expected to contribute approximately $60 million in pre-tax earnings.

Consolidated selling, general and administrative expenses should be less than 2010, even after absorbing the impact of the nonrecurring early retiring benefit, primarily due to lower pension expense. Interest expense should be approximately $60 million. Our effective tax rate should approximate 26%. And we continue to forecast full year capital expenditures at $155 million.

We believe our operating performance and prudent use of capital have distinguished Martin Marietta from other building materials companies. We'll continue to pursue and execute our strategic objectives with the consistent goal of increasing long-term shareholder value.

We thank you for your interest in our company.

If the operator will now give the required instructions, we'd be happy to address any questions that you may have.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] The first question comes from Arnie Ursaner from CJS Securities.

<Q – Arnie Ursaner – CJS Securities, Inc.>: Hi, good afternoon, Ward. Good afternoon, Anne.

<A – C. Nye – Martin Marietta Materials, Inc.>: How you doing, Arnie?

<Q – Arnie Ursaner – CJS Securities, Inc.>: My question relates to some of the geographic differences within your business. If you looking at the various areas, Mideast and Southeast were down, yet West showed a very sharp improvement in both revenue and profitability. You mentioned the San Antonio office market as creating one of the positives in West, but could you expand a little bit on the trends you're seeing in the West and how they may differ from the other regions?

<A – C. Nye – Martin Marietta Materials, Inc.>: Sure. Happy to do that, Arnie. First of all, just looking at how the quarter played out, including the West Group, we saw volumes in July down around 2%, August down around 3.2%, and frankly there's an Irene effect probably in that volume [ph] piece up (16:13) that the West would not have felt. And in September, volumes down about 1.3%. You rack it all up and you do end up with what you indicated; volume for the West Group up 3.7%, for the Southeast down 12.7% and for the Mideast 3.9%.

I'll work my way to the West, but I'll really focus on the Southeast for a second. That's a market that we had indicated last year, particularly in North Georgia and Alabama, and frankly parts of the river, that we're still looking for bottom. As we look at really what we had seen, for example, in North Georgia, in this context, Atlanta, volumes there were down nearly 23% and as we look at river volumes, there we're down around 17%. What you need to do, Arnie, is take that and juxtapose it to what we've seen in the West.

In the West, volumes were up in Iowa around 4%, volumes were up in the Southwest as well, meaning that whole San Antonio, Houston, South Texas area. So as we come back and even look at the Western district, volumes were broadly flat or the district within the West Group. What that did to us, Arnie, is exactly what we thought it would and that is we saw incremental sales in the West Group of around $13 million.

So as we come back and look at the incremental sales of $13 million at least the heritage aggregates group, then we come back and see incremental gross profit in that group of about $8.4 million. And that brings us back to something that we have said that you would see as volumes continue to move forward and that is the incremental operating margin performance. And what we saw in that West Group to answer your question very specifically was around a 65% incremental margin simply on the heritage aggregates piece of it.

Now going back to the portion of your question on what's going on in some of the individual markets, in what we're seeing there in particular, we mentioned San Antonio and the fact that the military presence in San Antonio is driving some degree of residential as well as commercial. What we're also seeing in parts of North Texas is a remarkably strong infrastructure market as well. Keep in mind, Texas has $4 billion plus worth of lettings this year.

So if we look at the major projects in the metroplex, and really there are about seven or eight of them there; the DFW Connector, which we have significant tonnage on; State Highway 161, significant tonnage; Interstate Highway 635, which is also known as the LBJ, with significant tonnage. All of those are projects that we've had a very significant role in this year, as well as some projects simply with the Dallas Area Rapid Transit, or the DART system. So what we're seeing in the West, at least in Texas, is good infrastructure work, growing work in the commercial sector and better residential work than we're seeing in most parts of the country.

And then even when we go to the Midwest, several things are pretty profound there. The farming economy has had a very good year this year, which means if we have a dry winter, we may well have a good ag lime season again in that market. And at the same time, we're looking at remarkable flooding that had occurred in much of the Midwest. The Missouri River came out of its banks and stayed there for a very long time this year. And some of the repairs that will come from that are going now. More of the repairs from that will go as we go into 2012.

But I think those are probably some of the snapshots that help differentiate at least why we're seeing volumes up in the West, at least compared to what you see in the Southeast Group and the Mideast Group.

<Q – Arnie Ursaner – CJS Securities, Inc.>: That's a very thorough answer. I thank you. One very specific question about when you do transfer your properties. I know you have fed the Texas market from places like Kentucky along the river, the Three River and other facilities have supplied the Texas market. Do you see any impact when you do in fact get rid of your river properties, will you be able to supply the market from other sources?

<A – C. Nye – Martin Marietta Materials, Inc.>: I think – keep in mind, Arnie, we have the mostextensive rail network in the country. So between what we're doing offshore and what we can do on our rail network, and specifically in the West, we're the largest shipper BN, UP and Kansas City Southern. So I don't think we'll have any difficulties continuing whatever market presence that we've had in those markets going forward.

<Q – Arnie Ursaner – CJS Securities, Inc.>: Thank you very much.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you, Arnie.

Operator: Thank you. Our next question comes from Jack Kasprzak from BB&T.

<Q – Jack Kasprzak – BB&T Capital Markets>: Thanks. Good afternoon, Ward.

<A – C. Nye – Martin Marietta Materials, Inc.>: Hi, Jack.

<Q – Jack Kasprzak – BB&T Capital Markets>: Hi. Wanted to ask about SG&A. You went into some detail in your commentary about it, but it's down year-on-year versus for the first nine months. So as you look to 2012, do you guys think there are further gains to be had with lower SG&A? Or is there more of a variable component, depends on how the earnings go in 2012 so that could swing it? Can you talk a little bit about what opportunity might be there for further reduction?

<A – C. Nye – Martin Marietta Materials, Inc.>: I think the two things, Jack, that we continue to always have on our radar in order are safety and costs. And realistically, what we're going to be able to do in some respects is we can reshuffle some of the reporting lines. As you know, from our 8-K and from my commentary, we did have an early retirement here, and as a consequence of that, we will move around some reporting lines in the business and we will obviously watch that as volumes go as well. So we have certainly demonstrated, I think, the ability to flex our costs very effectively, and depending on our outlook for 2012, we will continue to do so.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Jack, this is Anne. One of the wild cards will be performance of the assets in our pension plan, which through yesterday were doing okay and then I think today may change that direction a little bit. But that could cause a change in the pension costs. I mean, but again, too soon to tell that. We'll see how it sets out for the balance of the year.

<Q – Jack Kasprzak – BB&T Capital Markets>: Okay. On the subject of residential, your volume was up 9% in the quarter. I know we're bumping along the bottom and at a very low level of absolute residential activity, but up is up nevertheless. What's happening there, if anything new, that you're sensing? Or is it just a couple of pockets of activity and no real change?

<A – C. Nye – Martin Marietta Materials, Inc.>: I don't see dramatic change in that, and again, in part of the commentary that we offered, Jack, we talked about areas where we do have a military presence. And what's interesting to me, typically when we say that, you're going to think about North Carolina and Texas. And that's not a bad place to fall to. But literally, what we've seen around Camp Lejeune; what we've seen at Cherry Point; what we've seen at Fort Stewart in Georgia; what we've seen at Wright-Patterson Airport, that Air Force base up in Greene County, Ohio; and what we've seen in Texas have really been the leaders in that.

Now in fairness, much of that's going to multi-family in some respects, but still in those discrete areas, we've seen more single-family building I think than others might have expected as we came into year. That's also pushed the downstream as well into commercial and I think that's exactly what we saw and what I referenced in San Antonio. And again, we've seen that in more areas than just San Antonio. It was just more pronounced there.

<Q – Jack Kasprzak – BB&T Capital Markets>: I see. Okay. And with regard to weather – that was a factor in your second quarter. How about in the third quarter? Either any spillover effects from the flooding or anything direct in the third quarter that you sense? I know you didn't really mention it but...

<A – C. Nye – Martin Marietta Materials, Inc.>: Right. I mentioned it briefly in my response to Arnie Ursaner a minute ago because I think we did have at least in North Carolina and parts of Virgin a bit of an Irene effect when it came through in August. So I think when we look at the August volumes showing down 3.2%, I think it's fair to say there's some component of that. I think the other weather piece of it that is more broadly misunderstood than I would have thought is the extensive flooding that did occur up and down the Missouri River and that stayed in that part of the country for a significant period of time. Cities like Omaha have been dealing with almost biblical and historic flooding literally for months. And I think what that's going to mean, Jack, is in some instances, you're going see some stone go out the door because it's dealing with mayhem. I think probably more significantly you have interstate highways, roads and infrastructure simply that has been underwater for an extended period of time. I think that's probably slowed traditional maintenance projects on some of those projects this year. I think at the same time, what that will dictate as far as use next year is probably going to be enhanced. So I would point you to flooding in the Midwest.

<Q – Jack Kasprzak – BB&T Capital Markets>: Yeah, okay. Makes sense. Thanks very much.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you, Jack.

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

<Q – Jerry Revich – Goldman Sachs & Co.>: Hi. Good afternoon, Ward and Anne.

<A – C. Nye – Martin Marietta Materials, Inc.>: Hello, Jerry.

<Q – Jerry Revich – Goldman Sachs & Co.>: In your prepared remarks, or in the press release I should say, you spoke about West Group benefiting last year from higher farmer [ph] application rates (25:44) and then you talk about how this [ph] application rate (25:48) season is going in that – in the region broadly. And then [ph] talk around (25:54) out of the [ph] clear (25:54) reporting regions, which ones do you think has the highest potential to deliver out volume growth in the fourth quarter here?

<A – C. Nye – Martin Marietta Materials, Inc.>: Sure. Jerry, I'm having a little bit of trouble hearing you, but I think the essence of your question is you're looking at volume growth in the fourth quarter compared to prior year. And I think the biggest issue that we did have last is what we saw in ChemRock/Rail and ag lime in the western United States. We had a remarkably cold Q4 last year, but we had a remarkably dry Q4 last year. And what I'll tell you is we'll take cold, but we really need dry. And what I'll tell you as well is our teams in the Midwest have said if weather cooperates, we can be in a position for a very robust agricultural lime year again this year.

Keep in mind we said that last year. Part of the comments that I probably made at this same time last year is if there was any single area of our business that had pent-up demand, it was likely in the agricultural lime sector and that's exactly what we saw because we had literally missed about three seasons prior to that because of wet weather. I would tell you that that demand is still there, so if we have good, dry weather into the fourth quarter, I think what we have in the Midwest can perform actually very well.

As you know in this industry as well, October tends to be one of the more significant months of the year. Obviously, I can't go into where we are in October right now, but October and May are two months that you do tend to watch. To the extent that we can continue to have dry weather in the Southeast, that construction season can be considerably enhanced. So the two areas that I would encourage you to watch, we feel like Texas is going to be what Texas is going to be – but the areas that can really have a swing will be in our Midwest, in Iowa and in Nebraska and in the Carolinas at this point in time, Jerry.

<Q – Jerry Revich – Goldman Sachs & Co.>: And that's helpful context. And sorry for the bad connection. Can you talk about the price increases that you're seeing in the marketplace for the downstream businesses? Can you talk about what kind of pricing you're getting in concrete and asphalt mix? And also are you seeing your customers in areas where most of your areas were not really integrated. [ph] Are they getting (28:07) price increases that are comparable to what you're getting in aggregates?

<A – C. Nye – Martin Marietta Materials, Inc.>: All right. I'll tell you what, I'll deal with the pure aggregates side of it first, then I'll come back and talk about what we're seeing on the vertically-integrated component of it. If we look at what we're seeing just wholly across the aggregates group, so as I said in my prepared remarks, if I go across our different districts and look at them, what I'll tell you is the vast majority of them are showing pricing up for the year. There are some areas showing pricing up for the year, at least through the nine months, in double digits as well and a number of those in areas that are showing volumes down at times in double digits. So I think that's notable.

If we look at what's going on in asphalt, in particular, coming back to your question on the downstream products, we are seeing moderate increases in asphalt. But that needs to happen because we've certainly seen liquid asphalt move pretty considerably. If you take a look at where liquid was in say last year or even the quarter before, in Q3 2010, liquid was around $457 a ton and in this quarter liquid around $550 a ton. So moving some of that into the price of asphalt makes a lot of sense. The biggest component that I think people have struggled with has simply been the frequency with which the pricing has moved in that. It's been hard to keep up with. So for example in our business, Jerry, if I lookedat asphalt for us last year at about this time, we had sold somewhere north of 800,000 tons.

If I look at it this year, we sold over 1.1 million tons. So clearly, volume is up but between the pure price of liquid going up and having to buy more of it, the cost basically to liquid to us in asphalt are up 65% this year. So again, we've seen some upward pricing in that but there's usually a lag in that, Jerry, and that's clearly what you're seeing now. I think the area that continues to have the most difficulty on pricing, and it's not a surprise, is in ready mix pieces of the business.

Keep in mind, we only have ready mix in very discrete areas right now, in San Antonia and in portions of Arkansas. And we have seen largely flat to down pricing in ready mix this year. And I think that's broadly consistent with what most markets are seeing.

<Q – Jerry Revich – Goldman Sachs & Co.>: Thank you very much.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you, Jerry.

Operator: Thank you. And our next question comes from Keith Hughes from SunTrust.

<Q – Keith Hughes – SunTrust Robinson Humphrey>: Thank you. Just a little longer-term question. The Southeast, it's struggled for a while now. What needs to happen to get this get back to a solidly profitable area? I mean besides its volume, is there any structural changes you need to make? Just whatever your long-term view is there would be helpful.

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, Keith, I think the biggest single issue that the Southeast is struggling with is simply volume right now. I think if you look at a market like Atlanta for us, I think I mentioned in my comments that North Georgia volume was down 23%. Actually pricing was up in the mid-single digits in North Georgia. So that tells me really you're at a point that it's more driven by volume than anything else. So I think when that market sees volume come back, I think it's going to take off very nicely. I don't see structure in a Georgia or a South Carolina or parts of Alabama being particularly problematic there as well. I think one thing that is worth noting in my comments relative to the Southeast as well is we're seeing two things in Florida and I think it's notable. Number one, pricing was up in Florida again for quarter, so that's starting to have a very nice trend. And actually for us, volumes were also up in Florida, granted only around 4%, but still volumes up in Florida is something that we'll certainly look at.

<Q – Keith Hughes – SunTrust Robinson Humphrey>: Is the volume you're speaking of recovery, is it more on the non-highway side?

<A – C. Nye – Martin Marietta Materials, Inc.>: No I'd – well, I think it varies considerably. For example, in South Georgia, you're seeing a lot of port activity, so I think that's entirely what you're seeing there. In North Georgia, it's primarily going to be driven by what's either happening, or probably more to the point right now, not happening in infrastructure. I think one thing that's going to be worth watching and when you go to it and really wonder what are the things that will have to happen over the long-term to try to make things better in a state like Georgia, I think it's going to be worth watching what happens next July in Georgia.

Georgia has the sales tax initiative that's called the Transportation Investment Act. And what they're looking to do in Georgia is they've broken the state up into 12 very distinct districts, or as they call them, 12 special tax districts. And what they're looking to do on each district is simply have a vote, and they're looking to vote in a 1% sales tax.

If that 1% sales tax is voted in, Georgia could be in a position to raise around $1.5 billion a year for investment into their infrastructure program. So if you're looking at their 10-year plan, and that's what they're looking at, that's around $19 billion. So if we're back to a place like Atlanta, Georgia, that's considerably off on volumes, and then suddenly you've got a 10-year plan that if voted in could put $19 billion there, I think that could translate to volumes. But, Keith, I do think that is the issue...

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: And Keith, we would expect you to vote yes for that.

<Q – Keith Hughes – SunTrust Robinson Humphrey>: They're not even publicizing that yet. So we'll deal with that next year, I guess.

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<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Get ready.

<Q – Keith Hughes – SunTrust Robinson Humphrey>: Thank you.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you, Keith.

Operator: Thank you. Our next question comes from [ph] Rodney Niche (33:48) from KeyBanc Capital.

<Q>: Hi, Ward. Hi, Anne.

<A – C. Nye – Martin Marietta Materials, Inc.>: Hello, [ph] Rodney (33:53).

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Hi, [ph] Rodney (33:54).

<Q>: I have some questions on the Specialty business.

<A – C. Nye – Martin Marietta Materials, Inc.>: Sure.

<Q>: The business had another good quarter and I was curious if you could perhaps provide some color on if the growth was more tied to volume? Or price? Or a combination of both?

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, that is just a great, solid business right now. Let's begin with this proposition, [ph] Rodney (34:16). If steel is running better than 70%, that business is going to work pretty well, at least a big chunk of it. For much of this quarter, it was running somewhere between 72% and 76%. So what I would say is use that as your baseline and then you should have a pretty good sense of what's going to drive it.

So steel was healthy and we continue to see inventories not at remarkably-high levels, so we feel like the steel companies have managed that actually very well. And we think that portends well for our business. The other side of it that continues to move along at a very attractive rate is what's going on in the chemicals piece of it as well.

And particularly, what we see in our slurry business, that's been particularly strong. And in the summer months, in fairness, you would expect it to be strong. So I wouldn't suggest to you that we've seen any particular strengths there. I think one thing that that business does do exceptionally well is it's not just that they're good in managing their business and their sales and their production, they're very good at managing their cost profile as well. And we've indicated that time and time again on these conference calls. I think we have one of the best management teams running that piece of our business that we have anywhere in our entire enterprise. I think the business is working well and the management team is doing an exceptional job.

<Q>: Okay. And I know that business exports on big shipments as well. Was an international demand driving any demand as well?

<A – C. Nye – Martin Marietta Materials, Inc.>: Yeah, there's certainly an international demand there, but by and large, you can look at what's going on domestically for that business and that's what's going to really dictate the way it performs. And that's certainly what happened in this quarter, [ph] Rodney (35:54).

<Q>: All right. Thank you.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you.

Operator: Thank you. Our next question comes from Mike Betts from Jefferies.

<Q – Mike Betts – Jefferies International Ltd.>: Yes. Thank you very much. I had two or three questions, if I could, Ward. In fact, three brief ones. Firstly, the aggregate lime, I mean I think that that total [ph] account was (36:16) about 6% of end use in the full year last year, but is it much more important in the fourth quarter? And can you give me some indication of the percentage?

Then one for Anne on the tax rate. I mean I think it was 23%, Anne, for nine months. You're indicating 26% for the year, which seems a pretty high rate in Q4 given the lack of profitability normally in Q4. Am I missing something there? And then another one maybe for you, Ward. The consolidated costs, as you described them, were up 6.9% in the quarter, up from 1.6% I think in Q2. You list some of the factors there. Which were the particularly significant ones? And I guess more importantly, are a number of those costs now going to start to come down during Q4 because I would think that sort of the base rose a bit, didn't it, during Q4 last year? Thank you.

<A – C. Nye – Martin Marietta Materials, Inc.>: Real quick, Mike, I'm going to work backwards and I'm going to confess, Anne and I are both looking at each other because I'm not sure we understood or heard your first question. I'm going to work my way from the third one forward and then come back and ask you to repeat your first one.

I think on the consolidated cost side of it, Mike, the only issue that's out there that I think really put duress on us is what we saw, and frankly what everyone would have seen on the energy side of it. As we look at labor, labor was down. As we look at maintenance and repair, M&R was down. And I think that's particularly notable. And I think we can continue to do that and I think that's something that we're doing that most cannot.

And I think there are going to be a lot of people who are going to be under duress on maintenance and repair costs because they've not invested in their CapEx over the last several years the way that we have. So as I look at going into next year, I think we'll continue to control labor exceptionally well. I think you'll see nice, steady improvement on M&R. Clearly what we've seen on DD&A has stayed steady. Actually it's coming down, as you would imagine.

The one area that this year has been extremely challenging is what we've seen on energy. Keep in mind, when we came into the year at the very beginning, we thought energy would be up 25%, 30%. That's where we thought it would be coming into Q1. And clearly, it's been considerably ahead of it all the way through. I think if we look at a forward curve on diesel right now, candidly, I don't see a significant change on where wethink that's going to be. Now the corollary to that is I think seeing that type of input cost on energy can be helpful in some components of pricing and can be helpful in some components of the way our quarries operate in truck markets as well. So I think we have to look at it that way. But from a cost perspective, Mike, that's the only area that I would really draw your attention to. Is that responsive to that question?

<Q – Mike Betts – Jefferies International Ltd.>: It is. Just as a follow-up, on the base in Q4 2010, presumably those energy costs were already rising in Q4 2010. So is it an easier slightly – it's a higher base so therefore an easier comparison?

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, it may get moderately easy, but I'm not – keep in mind, much of what's going to be happening in Q4 happens in the early part of Q4, not in the later part of Q4. So if there's moderation the latter part of the quarter, it doesn't so much give you an easier compare.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Well and, Mike, we paid about on average $2.32 a gallon the fourth quarter of last year. So if you get it up to $3, you're still going to carry some of that burden. You might not have the same consumption.

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<Q – Mike Betts – Jefferies International Ltd.>: Okay. Understood. Thank you.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: From a tax perspective, Mike, the third quarter was disproportionately low due to the positive effect of a settlement of the 2008 audit from the IRS. So we expect the 26% rate to average out for the year. So it wasn't that the fourth quarter's going to be disproportionately high, it's that the third quarter was disproportionately low.

<Q – Mike Betts – Jefferies International Ltd.>: Okay. Thank you for that. And then just to clarify my first question. Really it was to get an indication of the size of the aggregates lime business in Q4 of last year, Q4 '10, because when I look at the overall proportion of your sales by end market in the whole year of 2010 agricultural, chemical and industrial was 6% of sales. So but by the sound of it, the agriculture element is a much bigger element in Q4. I'm just trying to get some indication of how big it is.

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, I mean it can be up a few hundred thousand tons on the ag lime piece of it. But as a practical matter, Mike, it's not going to move the percentages around in [indiscernible] (37:34).

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: But the total consumption for our ChemRock/Rail business was around 11% last year. So it's greater than our residential exposure. What the real driver on agricultural lime it is a premium-priced product. So it has a – while it may not have the effect on tonnage, it can disproportionately affect the profitability.

<A – C. Nye – Martin Marietta Materials, Inc.>: Oh, right. Okay. Understood. Thank you very much.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you, Mike.

Operator: Thank you. Our next question comes from Kathryn Thompson from Thompson Research.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Hi. Thank you for taking my questions today. The first is on volume. Given the mid-range of your fiscal '11 volume guidance, would imply a low-single digit year-over-year increase for Q4. You're facing some pretty tough comps for Q4 of last year when volumes were up in the mid-teens. What gives you confidence that you could potentially see an increase in volumes in Q4? And maybe any clarification on the trends you've seen throughout the quarter, and as we go into obviously as we are into Q4 today?

<A – C. Nye – Martin Marietta Materials, Inc.>: Sure, Kathryn. Kathryn, we obviously just – we look at every one of our businesses from the quarry up. And literally, as we march through it and we do our forecasting, it's a quarry-by-quarry, district-by-district, division-by-division snapshot. So that's simply based on what we're seeing out there ahead of us, real-time, right now. Much of it, candidly as you know, weather-dependant. So as we go into Q4, that's something that we have to have there in front of us and in front of you. But I think with the exception of that, it's simply knowing what we have ahead of us that has given us the confidence to say that that's where we'll be.

<Q – Kathryn Thompson – Thompson Research Group LLC>: So in other words, the world isn't falling apart like the headlines might lead us to believe?

<A – C. Nye – Martin Marietta Materials, Inc.>: No, and we're not in Greece either, so we can all feel a little bit better about that. But no, we certainly don't see an implosion on aggregate volume at all, Kathryn.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Okay. And then in terms of pricing, was there any material change at the end of the quarter versus intra-quarter?

<A – C. Nye – Martin Marietta Materials, Inc.>: No, not particularly. Pricing story this year has absolutely unfolded almost precisely the way that we thought it would and it's been an interesting year because the biggest surprise that I've had is that some people have been surprised with the way pricing has behaved. I think what we said was once we found some degree of stability, it didn't have to be up, it just didn't have to be remarkably down anymore from a volume perspective. We thought we would start to see very sensible pricing growth come back to this business. And that's exactly what we've seen. So I haven't seen anything in the second half of the year that to your question, Kathryn, I would say is notable. It's just moved along at a very consistent, very steady, in my view, very predictable pace.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Well, Kathryn, we have, obviously as we talked about in the second quarter, seen some mid-year price increases, so we have gotten a little bit of pick-up from that. So you'll see, really kind of – I know you like to look at it sequentially, you'll see pricing overall improve as you move sequentially. So that probably is the most notable difference.

<A – C. Nye – Martin Marietta Materials, Inc.>: But, Kathryn, I would come back and say to you as well, bake more of that into next year than you do this year anyway.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Yes.

<A – C. Nye – Martin Marietta Materials, Inc.>: What that really does is it simply raises the bar on what pricing will look like as we go into 2012.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Sure. And then my final question is you touched a little bit earlier today about capital expenditures. What sort of increase in volumes in your key markets would you need to see in order to bump up CapEx more meaningfully? And could you clarify what type of spending would need to be expended with that initial increase in volume? So what would be the bigger buckets in other words?

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, if I look at what we've done so far this year, $93 million this year versus I want to say around $135 million, $139 million last year at the same time; if we look at the way that's worked, around $74 million of that has been in buildings equipment and land improvements. And really if you come back, around 90% of that has really been what is in equipment all by itself. What I would always point you too is haul trucks, loaders and crushers are going to be the areas that from a maintenance perspective will take most of the punishment in what we do.

So I would come back and say look at that specific componentry. I think what you saw last year, and I think this is responsive to your question, we did see an uptick in volume last year, particularly in a district like Arkansas that had a lot of activity in the Haynesville shale last year. So we did run into I want to say $3 million or $4 million worth of additional CapEx that was required as that volume popped in some ways that I think in many respects surprised people. A pleasant surprise, but albeit still to a degree of surprise. I think you can see snapshots of that type of CapEx on occasion if volume comes through. But I think it's also going to be in those very specific areas that I just went through with you, Kathryn.

I think the trick is how are you doing on keeping those areas well financed right now. And that's one reason I'm happy to come back and say as I look at say $73 million that we put into buildings equipment, land improvements, et cetera, and [ph] 90% (42:55) of it's in equipment, we think we're in pretty good shape there.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Okay. And actually just one final question before we head out is just is more broadly looking into 2012 understanding that you

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haven't give guidance yet. But if you look today, how is your sentiment or feeling looking to 2012 today versus say where you were before as we were – really when you reported earnings last quarter, you were right in the middle of the whole debt ceiling issue in the U.S. How are you feeling about your world and planning for the future today versus early August?

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, I guess I feel better today than I did then and I guess several reasons. One, I did like what I saw in September. I mean the obligations that went out in September were the second-highest we've ever seen in September. So I think that gives us a nice push as we move into next year. In particular, keep in mind the obligations in September really don't do that much for us this year anyway, so it was over $10 billion. I think the bigger piece of it as we come back, Kathryn, and you know this better than most, it really depends on where you are. And I think having that tailwind from the fed certainly helps. I think as I come back and look at DOTs and look at their budgets and look at their plans and I see a DOT like North Carolina that's got abudget next year that's going up 4.6%.

But if you look at it on a 10-year basis, the next year, it's going up somewhere between 9% and 10%. The year after that, it's planned to go up almost 3.5%. Those are big numbers in a state that matters disproportionally to us. And at the same time, when we come back to a state like Texas and a significant position for us, and we go back to FY 2009, I mean they had lettings in Texas in 2009 of $2.5 billion. This year, almost $4.9 billion; next year, almost $4.5 billion. Really the only delta being about what we've seen in stimulus that's going to be going away next year.

But as I come back and look at those major projects in North Texas that we have rolled in, and frankly, look at a market like San Antonio where we've gone in and augmented what was already a very nice market position there, if I look at where we are in North Carolina, I like it and I like the DOT budget. If I look at where we are in Texas, I like it. And I like what's going on with DOT and I like what's going on downstream as well.

So I think we can hit a number of different buckets. And frankly, I like what at least I'm hearing out of D.C. If you and I were talking about what federal spending was going to look like back in August or before that, the primary thing we probably would have been focused on is what we were hearing out of Mr. Mica and the House when they were talking about a 30% cut, and I don't think we're hearing any of that type of talk now. So I think from the federal side, I feel better. I think from the state budget perspectives on what I'm seeing as far as tax revenues and otherwise, I feel pretty good. And I like what I see in the bidding schedules going forward.

<Q – Kathryn Thompson – Thompson Research Group LLC>: Perfect. Thanks so much.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you, Kathryn.

Operator: Thank you. Our next question comes from Ted Grace from Susquehanna.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Thanks, guys. I was hoping to come back to the margin question, and I was hoping Anne might be able to provide somewhat of a bridge between the costs, headwinds and tailwinds. And I get specifically, just back of the envelope math, if your pricing was up 2.4%, that would equate to about $0.25 per ton. So pricing would be something like a $9.5 million tailwind to your profitability. I know you said that diesel costs were up $0.08, that's $5.5 million of headwind. But could you just kind of bridge all the other kind of puts and takes? I know you said liquid asphalt, freight costs, repair and maintenance was a benefit, depreciation was a benefit. But just if you could just bridge us, that would be great.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: If you look at – just step back and let's look at the consolidated incremental margin and if you can allow me to break it down. If you look at just what I'll call the heritage aggregates product line, which is rocks only, we had incremental sales

there of about $3 million and actually had a loss in that line. That was all energy, primarily diesel, which we measure.

Now there's the indirect cost of the freight, et cetera and other costs that affected by energy, but just the diesel effect, had we normalized for energy, that incremental margin would have been about 63%. So what we thought was going on there. The other driver is the downstream businesses.

As Ward indicated earlier, there was a headwind from the liquid asphalt costs. Those costs were up about 65% in the quarter, some of it driven by volume increase in the business but also driven by the over 25% increase in liquid. And then finally, we had the couple smaller acquisitions that we've done over the past 12 months that have some start-up costs that are built into that margin to get us to that loss position. So those are really kind of the macro drivers if you're looking at it from a consolidated perspective.

<Q – Ted Grace – Susquehanna Financial Group LLP>: That's helpful. But I guess what I'm still struggling with is on a reported basis, 39% decremental. We talked about normalized being 60% incremental, so there's like a $12 million swing. And I'm just wondering if you could give us – what was the acquisition costs or at least break out the liquid asphalt, the dollar hit?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Well, total energy for aggregates was $5.7 million. I'm sorry, that doesn't include the liquid. But if I get back to – yeah, the liquid was about $3.5 million and acquisitions about $1.2 million. So what's that, $5.7 million and $3.5 million and $1.2 million; about $10 million-ish.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. But you had a $9.5 million tailwind on pricing, right?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Yes.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Ballpark?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: The ballpark.

<Q – Ted Grace – Susquehanna Financial Group LLP>: I'm still just trying to figure out how if your revenues are up 12 on a reported basis, your profits are down 5?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: We had the strength of pricing, your volume weakness came in and hit you, walked you through the cost increases, and you have the up on Specialty Products and then just the miscellaneous other. I mean we'll give you a detailed bridge in the Q when we file it.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Okay. We can follow up offline. I guess the other thing I just wanted to clarify my own understanding, is most of the downstream business in the Western Group?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: All of it.

<A – C. Nye – Martin Marietta Materials, Inc.>: Yeah, it's all in the Western Group, Ted. It's Arkansas...

<Q – Ted Grace – Susquehanna Financial Group LLP>: I guess I'm just curious to reconcile the margins there because if I got my numbers right, it looks like you had the best incrementals in the Western Group and the weakest incrementals in the South and Mideast. So if that was the biggest

area of problem on the COGS line pulling through liquid asphalt, how did you manage to get the best incremental profitability in that segment?

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Because the base aggregates business got a 65% incremental margin.

<A – C. Nye – Martin Marietta Materials, Inc.>: And it had up volume.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: And it had up volume. I mean that was the issue. If you look at the West Group as whole and just pull out downstream businesses and pull out acquisitions, the base aggregates business there had incremental sales of about $13 million, incremental profit of about $8.5 million. That's a 65% incremental margin. And then what happened is the downstream businesses and liquid asphalt costs ate into that and the acquisitions ate into that.

<Q – Ted Grace – Susquehanna Financial Group LLP>: Got it. Okay. Thank you very much, guys. Best of luck this quarter.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thanks, Ted.

Operator: Thank you. Our next question comes from Adam Rudiger from Wells Fargo.

<Q – Adam Rudiger – Wells Fargo Securities LLC>: Thank you. I wanted to ask about the vertically-integrated businesses with the proposed asset swap, how the exposure might look once that's done and if that's going to – how much as a percentage of total all aggregates sale that might grow to?

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, Adam, that's a transaction I'm actually pretty anxious to talk a lot about. The issue that I've got is if I talk a lot about it, I'm probably going to have lawyers running in here telling me that I can't talk much about it. So what we clearly have in place right now is an arrangement with Lafarge that's ordinary and customary in these transactions. What we've put out is what we've put out right now. Does it have a more vertically-integrated component in Denver than we have in the river? Absolutely, it does. Is it something that we want to talk to you about? Sure, we do.

I think one thing that as you're just thinking about that business in your mind going forward, and we will clearly give you much more color on it once we buy it, one thing that I would ask you to keep in mind is ideally, if I'm buying a Rocky Mountain business, I'm not wanting to buy it at some point in November or December. And as a practical matter, we will. Of course, we're not buying this business for a quarter or for half a year or otherwise. We're buying this business for the long-term and we think it'll be attractive. And we think the vertically-integrated components of it will be attractive as well and we think really where we're looking at vertical integration in Denver, it's because that's the way that market is built.

So we will have to think about that. We will give you more color on that. And you will need to think about simply the time of year in which we're buying it. But as a practical matter, Adam, that's probably all I could say right now.

<Q – Adam Rudiger – Wells Fargo Securities LLC>: Okay. I was – and just – you might not be able to respond to this, but the reason I was really asking not so much as to the immediate winter impact, things like that, was just more that you've talked a little bit about or a lot about liquid asphalt and so I was just wondering as your vertical integration grows, if it's going to grow at all, what's that going to do to your ability to pass on costs and how it's going to impact margins.

The other just question, you highlighted some scenarios in certain places where you're positive on potential for infrastructure growth next year or beyond that. But let's say those things don't come to fruition and our government can't get along. And with your commentary that you expect mid-single digit declines for infrastructure this year and all with stimulus winding down, that paints a pretty negative picture absent those other potential positives you talked about on juston the potential for even flat volumes next year. Is that wrong to think about it that way?

<A – C. Nye – Martin Marietta Materials, Inc.>: Well I mean obviously we'll tell you more about it next year when we get there. I'll tell you this: I think to the extent that stimulus is going away, I wouldn't put a lot of stock in the fact that stimulus is going away. So I think if you come back and take a look at it, you can certainly see what McGraw-Hill is saying about next year.

I mean they're looking broadly at total construction being basically flat next year. They're looking at nonres being up slightly. They're looking at res being up double digits. And they're looking at what they will call non-building, but the Street's portion of that being down somewhat next year, I mean that's at least what someone like McGraw-Hill is seeing. But again, I think you do have to come back and look at the very specific states in which we operate and decide what you think those different markets are going to look like.

We feel relatively confident with what we have in North Carolina, what we have in Texas and the markets that particularly drive us that we won't see a big falloff. Keep in mind, even in a state like Indiana that has had not had great volumes this year, you still got major moves going on in that state for another several years. So I think back to the point that I made in the conversation with Kathryn, we certainly don't see something just going off a cliff here at all. That's not where we are and it's not what we see right now.

<Q – Adam Rudiger – Wells Fargo Securities LLC>: Okay. Thank you.

<A – C. Nye – Martin Marietta Materials, Inc.>: All right, thank you.

Operator: Thank you. Our next question comes from Trey Grooms from Stephens.

<Q – Trey Grooms – Stephens, Inc.>: Thanks. First question is just kind of thinking about the DOTs, at least in the short run with the kind of limited extension or continuing resolution that we have in place now, has that been enough to get them to kind of go ahead with notices to proceed on more jobs? Or are they still kind of just sitting on their hands given the limited visibility here?

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, Trey, I think what it does is it more dictates the nature of the work than the amount of jobs being bid. And I think what we're seeing in that is we will see a ramp-up in resurfacing, we'll see a ramp-up in shorter-term projects, we'll see a ramp-up in maintenance. I think the primary thing that having these CRs do is it does not put states in a position, unless they have some form of alternative financing, to go forward with large infrastructure projects right now.

So for example, we are seeing in the Charlotte area what may be some very nice, attractive toll work that's coming there and that bidding will be going on later this year or very early next year depending on what their schedule looks like. So we are seeing some large projects, but I think the primary thing that DOTs are suffering from right now is the lack of ability to go and do really large projects that'll be built up from the ground that will require base product as well as clean washed stone. I think we're going to see a lot of clean washed stone go out the door if they continue at CRs. I think the bigger issue is what projects will be coming that'll consume some base product.

<Q – Trey Grooms – Stephens, Inc.>: Okay. And then you mentioned earlier don't put a lot of stock in stimulus going away and things like that. It's obvious that it's going to pretty much have run its course this year. I guess are you saying that in 2011, and I don't know what the current numbers

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are on how much of that stimulus funding has flowed through this year, but I know earlier in the year, it was expected to be about 30% of the total. But are you saying that Martin Marietta specific or just the industry really isn't benefiting a whole lot from that funding that's rolling through in '11?

<A – C. Nye – Martin Marietta Materials, Inc.>: Yeah, I'll give you a take on that. Here's the Ward Nye take on the way that came out, Trey. Around 21% of stimulus went in 2009, or about $5.6 billion. In 2010, around 42% of it went, or about $11.5 billion. We think by the time we get to the end of this year, around $5.9 billion will go, or around 22%. In other words, it felt a lot in '11 like it did in 2009.

If you tally those up, that's going to be around 85% of stimulus that should be outlaid here by the time we get to the end of the year, leaving around 15% for 2012. And keep in mind, these jobs really need to be completed by the end of December 2012. That was the way the stimulus program was built.

And I think back to your question, I don't think it's a Martin Marietta issue. I think in large part, it's an industry issue. I think what happened here is I think the hope was that stimulus would be something that was incremental on top of what DOTs were doing and I don't think at the end of the day in most places that it was. I think the metaphor that we've used is it was there to fill a hole and it never quite filled the hole.

So part of what's interesting to me is to watch stimulus going away and then come back and look at DOT budgets because what we're seeing in most instances is when the stimulus goes away, it's not a very traumatic effect. And I think that's what brings us back in our mind to the view that it came in, it didn't have the effect that I think people thought or hoped, and when it goes away, I don't think it's going to be a resounding thud to the industry and certainly not to our company.

<Q – Trey Grooms – Stephens, Inc.>: Okay. Well that's – I appreciate your thoughts there too. And then just on the acquisition, I know you can't really talk a whole lot about it here, but just could you tell us how the pricing in that market looks as far as just the absolute pricing looks relative to the rest of your markets?

<A – C. Nye – Martin Marietta Materials, Inc.>: Not yet. I'll be able to talk to you about that in a few months, Trey. I just can't go there right now. I do understand. And I wish I could.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Good try. That was a good try, Trey.

<Q – Trey Grooms – Stephens, Inc.>: Okay. Well that's it. That's all I got. Thanks, guys, and good luck this quarter.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you, Trey.

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

<Q – Garik Shmois – Longbow Research LLC>: Hi, thanks. It's Garik Shmois. Just two quick questions. Just the first one is, Ward, could you clarify a little bit more on the change to the guidance this year? And what you're seeing incrementally? You mentioned some of a negative mix towards maintenance projects as weakening some shipments to infrastructure. But I think some of the comments in the release also pointed towards declining nonres relative to your initial thoughts as well as I think some of those type of projects. So could you maybe rank order what caused you to be a little bit more cautious on your guidance today?

<A – C. Nye – Martin Marietta Materials, Inc.>: Sure. I think as we looked at the infrastructure, I mean I think we've just looked at the public numbers that are out there, so I think where we're guiding on that is very consistent with what you may see from McGraw-Hill, what you may see from

PCA or others. I just think for a lot of the reasons that we discussed, whether it's transportation funding, what's going on in the House, what's going on otherwise, I think it's made that more challenging.

I think as we look at the nonres component of it, again, we're just taking than down very slightly. And keep in mind really what happened there last year is we saw a really nice pop, primarily driven by what was going in the shale activity place in Haynesville and Barnett. What's happened this year is you're seeing a pretty significant movement from Haynesville and Barnett down to the Eagle Ford. What's driving that, to give you background on it, is when you're drilling in Haynesville and Barnett, what you're getting is natural gas, but that's pretty much the show.

What's happening when you're in South Texas is you're getting both the gas and you're getting the oil as well, a much richer play, literally. So you're seeing a pretty significant shift that doesn't actually happen overnight. Now what that tells me over time, they'll be back in the Haynesville and Barnett at some point because they do have lease obligations there. But I think the low natural gas prices and that migration has dictated some of that. I think the other thing that we've seen is there's been just a change in some of the power projects that we had going on as well.

There's some power projects in Georgia, South Carolina, and in fact, one in Virginia. The projects themselves aren't done; they're just simply in different phases of it. So again, as we come back and moderate our guidance, I think those are the type of things that we have in our thinking, as well as part of what we're seeing and not seeing in wind energy.

So I think really as we're looking at the change that we have in nonres, it's all around what's either happening or in some respects not happening in energy. But here's the real catch to it, Garik. I mean the fact is volumes are just so low generally anyway that if you have any degree of movement or pullback, in another day, in another hour, what we're talking about here wouldn't even have been a speed bump. It wouldn't have been noticeable. But in this type of climate, it is and we just need to tell you about it.

<Q – Garik Shmois – Longbow Research LLC>: Okay.No. That's fair. And then just on pricing, just a little bit more clarification. You mentioned a lot of pricing this year was from increases in 2010 and a little bit of a benefit from mid-year 2011 price increases. Is it fair to assume that you're really not seeing much of a change in the competitive landscape, meaning it's not getting incrementally more competitive given that 2011 volumes are going to be negative?

<A – C. Nye – Martin Marietta Materials, Inc.>: No. And actually, I'm not sure that much of what we're seeing here is an effect of what happened in '10. I think what we're seeing here is really what's happened in '11. And I see the competitive atmosphere as much more favorable today than it was a year, a year and a half ago.

<Q – Garik Shmois – Longbow Research LLC>: Okay. Thanks. And actually just one more question just on the operating margin in Specialty Products. Is this below 30% operating margin in the business that you've generated here so far through 2011, does that look like it's sustainable assuming the steel utilization rates are north of 70%?

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, if steel stays where it is, yes it is. And the other thing that's really helped that business is I'm going to go back and talk out of the other side of my mouth. And we were talking about how great it was last year with all the ramped-up activity in the shale fields. I think clearly the biggest single energy piece usually of Specialty Products is what's going on with natural gas. So you've got two nice things. You've got steel running at a 70%-plus rate and you've got actually very low relative speaking natural gas. And that certainly gives that business a nice tailwind.

<Q – Garik Shmois – Longbow Research LLC>: Great. Thank you very much.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you, Garik.

Operator: Thank you. Your next question comes from Brent Thielman from D.A. Davidson.

<Q – Brent Thielman – D. A. Davidson & Co.>: Oh. Hey, Ward. Hey, Anne. Ward, you just answered my question on the energy side of things and the shale gas opportunities. So thank you.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you. Good to hear your voice.

Operator: Thank you. And our next question comes from Bob Wetenhall from RBC Capital Markets.

<Q>: Hi. This is actually [ph] Tom Lofton (1:04:24) on for Bob Wetenhall. Just a quick question; I know that some people in Washington have been talking about infrastructure bank. I know it came out as part of President Obama's Jobs Act. And I was just wondering if you could give us some thoughts about what you guys think of the potential for kind of an infrastructure bank to either substitute for some kind of big reauthorization? Or just what you guys think the effect of that would be?

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, there's a great op-ed piece in McClatchy today that John Kerry and Kay Bailey Hutchison wrote. So you've got two Senators who usually land on the opposite side of most things coming in and basically being supportive of an infrastructure bank. I think an infrastructure bank can be an important piece of overall transportation legislation and vision. I don't think it's a panacea for all of this and I don't see it really being a substitute for a core program.

And actually I think if you go and looked at some of the commentary that Barbara Boxer in particular has had around this, I think that's where her head is as well. And I would tend to agree with that. I think there's certainly a place for it and I think the leverage from it can be helpful. But I think at the end of the day, we're looking at a need and clearly a much larger program at its base that will really move this business and frankly move the country forward.

<Q>: Okay. Great. And what would you – what would your thoughts be on a two-year bill versus a six-year bill? Would you still be happy to see kind of a two-year bill at similar levels as before? Or do you think we really need that long-term bill?

<A – C. Nye – Martin Marietta Materials, Inc.>: You know what, my quick answer is I like long-term bills because DOTs like long-term bills and it lets them plan. So I think longer is better, but high is awfully good too. And I guess as a public policy perspective, I hate to ever see a number in an area that's just a core-critical national need go backward. So I think you would have to look at those two things together. So from my perspective, if you could end up with a six-year bill and end up with something that's up or at a minimum flat, personally I'd rather have six than two because I think that lets DOTs do some things and we can certainly help them do that.

<Q>: Got it. Thanks.

<A – C. Nye – Martin Marietta Materials, Inc.>: All right. Thank you.

Operator: Thank you. Our next question comes from [ph] Russell Piers (1:06:48) from Cleveland Research.

<Q>: Good afternoon.

<A – C. Nye – Martin Marietta Materials, Inc.>: Hi, [ph] Russell (1:06:52).

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<Q>: Hi. I know you talked about the positive public markets in terms of obligations throughout Texas, North Carolina, Northern Virginia and D.C. I kind of just wanted to ask, see if there are any markets out there that were kind of heading in the opposite direction in terms of negative obligations looking out to next year.

<A – C. Nye – Martin Marietta Materials, Inc.>: You know as a practical matter, I'm not seeing any states that are really in a bad place in that perspective, at least in the markets in which we operate. And I think that goes back to one of the points we made to one of Kathryn Thompson's questions earlier; I think location and state matters a lot in this business. So from where we sit, North Carolina looks pretty good. We like the sales tax initiative that's coming up in Georgia. We like major moves in Indiana. We like the new DOT plan in Virginia. The DOT budget in Iowa is very steady as well. And they've got a nice resurfacing plan that's coming out in Florida.

So really, as I just kind of rip off those top states, they're all in reasonably good shape. And I think the other thing to keep in mind is much of what's going on in states relative to a DOT spend are truly dedicated funds. So if you come back and take a look at most state budgets, I think the U.S. average is that 16% of funds that are going to state DOT projects are coming out of the general fund. Most of it's coming out of some degree of dedicated gas tax, vehicle transfer fee or otherwise. And I think that puts most states in better shape on DOT spending than they would be in other parts of their business.

And I think when you take that and then lay it on top of what's our geography, I think then you end up typically finding out that most of our states tend to have very specific plans that give them a very stable outlook comparatively going forward. So I hope that's helpful, [ph] Russell (1:08:42).

<Q>: Yeah. That's great. To follow up on the Georgia tax, I was wondering if there were any other states taking similar actions in terms of trying to implement taxes or anything of that sort?

<A – C. Nye – Martin Marietta Materials, Inc.>: I don't know of any other state that has a plan out there exactly like Georgia has right now. They've been talking about that for a while now. As we sadly heard earlier in the call, they're not advertising it apparently remarkably, but it's been out there for at least a year and a half and I can tell you that is clearly DOT's Plan A in Georgia. So it'll be curious to see how that goes. It may end up being a blueprint for others.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: What we are seeing though, [ph] Russell (1:09:33), is alternative financing means, whether it is by a tax like Georgia's proposing or toll authorities like we have in North Carolina and Texas. We are seeing that states are having to address transportation issues because it's a local matter.

The one positive I think that we will see, and I guess the 12 different regional commissions in Georgia will demonstrate this, we hope they will, is that about 75% of the time, if there is a local funding initiative on a ballot, it will pass, again, because it's a very local and personal issue to each individual state. But we do expect that to be a long-term trend that you'll see that the states' creative and innovative funding is going to be more – play more of a role in the infrastructure rebuild.

<A – C. Nye – Martin Marietta Materials, Inc.>: Of necessity.

<A – Anne Lloyd – Martin Marietta Materials, Inc.>: Yes.

<Q>: Great. And just one more quick question. On the military demand, there seems to be different across different geographies, but some areas are starting to lose a little bit of steam in terms of the military building and the related bidding around the military demand. And I was wondering if you

were seeing that within any of your geographies that are tied mainly to military demand or if you expect that military demand to remain pretty robust going in 2012 and through 2012.

<A – C. Nye – Martin Marietta Materials, Inc.>: So far, we have not seen a pullback in that. And keep in mind, North Carolina and Texas won so disproportionately during the Base Realignment and Closure process, or the BRAC process, that we don't anticipate that there's going to be a significant pullback there at all. In fact, it's been going on for a series of years. I remember in one of these same calls two years ago, maybe three now, of serving that there was more work going on around Fayetteville, North Carolina than there was in our entire Greensboro district. Andwhile it may not be at that type of level all the time, we do see a certain degree of sustained activity at those large bases in the Carolinas and in Texas right now and don't see a pullback meaningfully at all, [ph] Russell (1:11:42).

<Q>: Great. Thank you very much.

<A – C. Nye – Martin Marietta Materials, Inc.>: Thank you.

Operator: Thank you. This concludes our Q&A session. I would now like to turn the conference back over to Mr. Ward Nye for any closing remarks.

C. Howard Nye, President, Chief Executive Officer & Director

Thanks again for joining our third quarter earnings call and for your interest in Martin Marietta. In general, 2011 has unfolded broadly as we expected. We're pleased with our operating results. We anticipate building on this momentum. We look forward to discussing our fourth quarter and full year 2011 results and the closing of our Lafarge transaction with you, as well as our outlook for 2012 when we talk again in February. Thank you all very much.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes our program. You may now disconnect and have a wonderful day.

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