
MANAGEMENT DISCUSSION SECTION

Operator: Good day everyone, and welcome to the Martin Marietta Materials Incorporated Fourth Quarter and Full Year 2007 Financial Results Conference Call. Today's call is being recorded. At this time for opening remarks and introductions, I would like to turn the call over to the Chairman and Chief Executive Officer, Mr. Stephen Zelnak. Please go ahead, sir.

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

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

The fourth quarter turned out to be much more challenging than we expected. Through October and November, our aggregates volume was positive about 1% and our results were well on track for another record quarter. In December, the weather issues in the Mideast, Midwest and Mid-Atlantic areas created a 19% drop in volume. Our Northern tier states from Iowa to West Virginia saw declines that ranged from 23% to over 50% as construction activity came to a quick halt for the year. In North Carolina, Virginia and Maryland, shipments were down 28%. As you would expect, a drop of that magnitude coupled with rising energy prices which cost us \$0.09 per share, had a very negative impact on profitability and margins.

For the quarter, earnings per diluted share of \$1.33 was down \$0.03 from the prior-year period. Heritage aggregates volume was down 5% while pricing increased 5.5%. The geographic mix which was much more heavily weighted to truck markets in the West reduced the rate of sales price change by 550 basis points. Our dolomitic lime business performed particularly well during the quarter while our magnesia chemicals business showed continuing growth.

In our aggregates business, we saw a positive volume growth during the quarter in Iowa, North Texas and Oklahoma, Arkansas and East Texas as well as in South Georgia. During the quarter, we did a particularly good job of managing our SG&A expense, which declined almost \$2 million or 5%. We continue to streamline our organization with the reduction of some 40 jobs in the SG&A area. Our continuing investment in information systems technology is enabling us to create more effective ways to accomplish necessary task.

For the full-year 2007, we turned in some notable achievements despite difficult economic conditions. Earnings per diluted share of \$6.06 was up 15% to a record level. Record EBITDA of \$591 million increased 10% from the prior year. Record operating margin based on net sales increased 180 basis points for the year and is up 440 basis points over the past two years. Return on equity increased 370 basis points to a record 24%. All of this was accomplished against an 8% decline in aggregates volume, which is the sharpest volume contraction we have experienced since a 10% decline in 1991.

During the year, we adopted a new capital structure with a leverage target of 2 to 2.5 times debt-to-EBIDTA. We finished 2007 slightly under the target, but expect to be in the target range in 2008. During the year, we repurchased 4.2 million shares, which included 604,000 shares in the fourth quarter. Since the beginning of 2005, we have repurchased about 18% of our shares, which we believe has been very beneficial to our shareholders.

At the same time, we've been investing at record levels to expand our business with some very high-return projects. Examples of such projects which typically have IRRs of 25% or more are our recently-completed new plant and underground mine at Weeping Water, Nebraska, which increased its annual capacity from 2 million tons to close to 4 million tons. Also, our new Augusta, Georgia plant is underway with completion scheduled in early 2009. It will take annual capacity from 2 million tons to 6 million tons.

We will continue to invest in these types of growth and efficiency improvement projects. We also doubled our magnesium hydroxide powder productions in our magnesia chemicals business which is a very attractive investment, given the growth in demand for flame-retardants and additives.

Now looking ahead to 2008, we expect a challenging year given the uncertainty in credit markets. We expect housing to drop significantly in the first half, followed by a bottoming in the second half. We expect non-residential construction to be solid with energy projects and other capacity expansion construction being strong, and retail and office construction softening. Infrastructure demand should grow modestly as overwhelming demand chases funding.

Geographically, we expect North Texas, San Antonio, and the NAFTA corridor, South Georgia, and Iowa to be the strongest areas. Iowa is interesting because it's not an area of notable population growth. However, green initiatives, including wind farms, ethanol, and biofuel plants along with the robust farm economy should make for a good year.

In our Specialty Products segment, we expect further growth in magnesia chemicals and also a very positive volume growth in our dolomitic lime business. The year, in aggregates, we expect the rate of price increase to range between 5.5 to 7.5% with the volume change ranging between up 1% to down 3%.

In Specialty Products, we expect pre-tax earnings of 36 million to 38 million versus 33 million in 2007. Given these assumptions, we expect diluted earnings per share to be a record \$6.25 to \$7, with the first half being relatively weak, with notable improvement in the second half. At this time, I'd be happy to take any questions that you may have.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions]. We'll go first to Mike Betts with JPMorgan.

<Q – Mike Betts>: Yeah, Steve. Just a couple of questions if I could from me. Firstly, could you maybe just comment a bit more on the success of the price increases at the start of this year? And secondly, could you give some idea of the underlying assumptions that you've made in cost inflation in your guidance for the year? And I guess what I'm particularly interested in, if you could maybe talk about a growth number that you see costs going up, and then some indication of how much you are able to reduce that increase through the various initiatives that you have got going? Thank you very much.

<A – Stephen Zelnak, Jr.>: Okay. We do have in place our 2008 pricing. We have certain areas where the price levels; right price increase will be very positive, double-digit. The greatest opportunities we have in 2008 are in the Carolinas and down through Florida. When you get to other areas of the country, you are going to see much more modest price increases in the mid single digits, that ranging down to low single digits in some of the markets that are pretty depressed. Low-single-digit markets would be places like Ohio, Indiana where demand is relatively low. So that's the way the pricing shapes up for 2008.

<Q – Mike Betts>: And Texas, Steve, where would that be?

<A – Stephen Zelnak, Jr.>: Texas ought to be in the mid single digits. But the caveat there is that Texas is greatly influenced by the balance of shipments between the long-haul transport shipments and the truck quarries, because the difference in pricing is very significant. It could be as much as 3 to 1 in some cases. So depending upon what that balance is, it will affect the average price in Texas either up or down depending upon how that compares to 2007. So I just leave you with that caveat with respect to Texas. We think the Texas marketplace is going to be a good marketplace in '08. We particularly think that North Texas is going to be strong; we expect good business in San Antonio in the NAFTA Corridor. We think Houston will be a bit more challenging, but overall, I think a nice year. East Texas, which is predominantly rural, is also a good marketplace for us, and we think that's going to be a good place in 2008.

With respect to cost inflation, Mike, it's always interesting to look back on where you've been and then try to figure it out. In 2007, we were dead on with our projections with respect to energy through the first three quarters. And obviously, the fourth quarter, a huge ramp-up in the energy cost. And as we indicated, that cost is \$0.09 a share, not anything that you're going to react to in the short term, you just have to eat it.

As we look at 2008, with the items other than energy that are variable in nature, I think we are going to be somewhere in the 4, 5% range. They are not totally variable, and that's what will push it up a little bit, but the big issue for 2008 is really going to be volume levels and production through the plants that go with that, and the fixed-cost amortization.

If you look at our depreciation, depreciation is ramping up for us. And that is a function of our decision to invest in our business where we see some great opportunities, but the timing of that is not necessarily dead on. So we may have a few spots where we don't have as much volume as we'd like to amortize that investment. Just for you to put in your calculation for 2008, the DD&A that we are looking at is going to be about 165 million versus about 150 in 2007. The run rate at fourth quarter 2007 was about 157 million. So hopefully that's helpful.

<Q – Mike Betts>: It is. Thank you for that, Steve. Just one more question if I could because one of the questions for 2008 is the budgetary situation of your three major states, the two Carolinas and Texas and certainly the risk section of your press release mentions these. How serious do you

see that? Are you seeing any cutbacks or threats of cutbacks in highway programs in those three big states because of that?

<A – Stephen Zelnak, Jr.>: Well, Texas has already taken some actions but at the same time there is an offset there with the toll road program. So we think overall, Texas is going to be pretty strong and I am not particularly concerned about that. South Carolina has a new Finish for Progress program which is pumping some more money into that state. I think South Carolina as we view it right now, is going to be okay. North Carolina has come forward with the initial \$300 million worth of GARVEE bonds. That helps, but the reality is that North Carolina is going to have to do more and we are in the throes right now politically, trying to determine exactly what it is that the State is going to do. So I think in 2008, North Carolina in the highway sector is going to be down a bit. We'll see – whether or not the legislature takes interim action during the year to put some more money into the highway front. I don't know the answer to that right now but there is a major effort underway to come forward with a recommendation to the legislature. The Governor has a Study Commission to do that, which will report by May.

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

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Next, we move on to Jack Kasprzak with BB&T Capital Markets.

<Q – Jack Kasprzak>: Well, thanks. Good afternoon Steve.

<A – Stephen Zelnak, Jr.>: Hey Jack.

<Q – Jack Kasprzak>: Hey, I wanted ask first, do you think housing will be as big a drag in '08 for your business as it was in '07?

<A – Stephen Zelnak, Jr.>: If it is, it will be nonexistent based on the rate of decline. Our expectations are that with the Federal Reserves' aggressive actions and what we would expect to see from them, they are going to alleviate some of what might otherwise happen. But if you look at the inventory overhang, it is going to take a while to work it off. And I would expect in the first half of the year that you're going to see starts drop down to, could be 850 to 900,000 units. As you go through to the back half of the year, I expect you'd bottom and begin to perk up just a little bit, to get the year back to something that's closer to a million units, hopefully a little better than that.

But as you know, historically after the Fed gets aggressive with rates one way or the other, about six months out, you begin to see some impact, and not that the inventory is going to clear that quickly, but builders will go back to work, and you have to remember that builders build. If someone will lend them money, they will build houses. And I think the environment should be much better in the second half for that.

<Q – Jack Kasprzak>: And I was also going to ask about in the fourth quarter, if you look at your volume and price performance by the way you break it up, your three segments geographically, the segment that was down most in volume, the Mideast was up most in price, and the segment that was up most in volume was the worst price performance if you want to say it that way, the West only up 1.3%. Could you talk about what goes on there, what figures into those dynamics?

<A – Stephen Zelnak, Jr.>: Sure. The Mideast is a pretty broad swath of territory, and it does include Indiana and Ohio, which economically both of those, I'd put into the category of basket cases. Certainly, we saw very significant volume declines in both. In Indiana for the year, volume down about 15%, Ohio volume down 27%. So those volume changes that you're seeing in Mideast are heavily driven by the automotive belt, Indiana and Ohio.

If you go out to the West and look at that correlation between the two, it comes back to where the business was. We had a very good year in South Texas, but South Texas has some very low-priced material. Some nice margins in it, but very low-priced material. And also, we had much more truck quarry sales relative to the long-haul transportation. And just to give you an example, the truck sales might be on the order of 6, \$7 a ton. If you put it on rail and go through a distribution yard, that number may be up in the 17, \$18 range. So when you weight it all out, you had a mix shift there that was pretty significant, plus the ramp-up in the NAFTA Corridor down to South Texas.

So on the surface it looks like there is a direct correlation. Actually there are a lot of reasons behind that and it's not nearly as direct as the economists might think.

<Q – Jack Kasprzak>: Okay. Thank you. And then last, I wanted to just ask with regard to the 2008 pricing guidance of 5.5 to 7.5%, would you think that if it were toward the low end of that range, 5.5 or so percent, that would be the low rate of increase for the cycle?

<A – Stephen Zelnak, Jr.>: Given what's going on, if the Fed continues to be as aggressive as they have been, and if you've got a stimulus package thrown over the wall at the American consumer, you would expect that you are going to get some stimulus coming into the election that is going to carry over into 2009. Given that, I won't say absolutely that that's the low point, but I think you are beginning to coast along the bottom, more than likely.

<Q – Jack Kasprzak>: Great. Okay. Thank you very much.

A – Stephen Zelnak, Jr.: Sure.

Operator: Moving on, the next question will come from Todd Vencil with Davenport & Company.

<Q – Todd Vencil>: Hey, thanks a lot. Hey Tom, on that \$0.09 energy impact that you mentioned, just to clarify, is that relative to your expectation or is that on a year-over-year basis?

<A – Anne Lloyd>: Year-over-year, Todd.

<Q – Todd Vencil>: Okay. Thanks for that. And then just to sort of get a little more general, I mean what was really driving the shift in the mix away from the higher-priced material, which I guess is the long-haul material? Was that – is that weather or was that some sort of geographic shift?

<A – Stephen Zelnak, Jr.>: Well, it's geographic. And if you look at the long-haul markets, they are coastal markets in the Southeast and the Gulf Coast. And as you know, those markets have certainly pulled back. Housing was a major driver for a significant piece of it. They've been pulling back. And we just saw it in a more pronounced way, and we continue to see diminution in demand in those coastal markets, but also we saw some increase in demand in other areas that were -- truck market, where we have truck market quarries. So it all comes back to the nature of this business, which is very local. And we happened to get demand in places like Iowa and Nebraska and South Texas, and we didn't have as much demand in Houston and some of the Florida markets and down in the Gulf Coast.

<Q – Todd Vencil>: Got it. So given that, I mean are you sort of anticipating that's going to persist for a while and is that, that's sort of in your -- in your pricing guidance?

<A – Stephen Zelnak, Jr.>: The answer is yes; we think that's probably going to persist. The nice thing about the coastal markets as we go out, is that people continue to flow in. The problem they have is selling their house where they are coming from or wanting to make a plunge on a new one if they don't already own one. So we think that's going to continue for a while. I had cited the

Midwest in my comments, particularly Iowa, I will put Nebraska with that. Some very interesting factors influencing that area which will make it very positive. We think the South Texas market is going to be very positive. A lot of wind farm activity in South Texas and just to give you an idea of the magnitude of demand on specific projects with wind farms and ethanol, those wind farm projects that we've seen recently can range anywhere from 200,000 tons up to 700,000 tons, it depends on the size of the wind farm. You've got concrete pads that they need to put under the turbines themselves, and then what you have to do is create roadways to get out there to build and service those turbines. An ethanol plant is going to be connected to the rail in virtually every case, and when you take the plant and the rail connection, not unusual that you are looking between 50 and 100,000 tons and it could even be a little higher.

<Q – Todd Vencil>: Got it. Thanks for that. That's helpful.

<A – Stephen Zelnak, Jr.>: Sure.

<Q – Todd Vencil>: And just one more question if I can. I mean, you are talking about the second half coming back, and it certainly sounds like you are expecting that some of what the government is doing right now would be helpful in that, both in a fiscal sense and a monetary sense. But is there anything else that you are seeing out there that makes you feel like the second half is going to see an improvement? Or is sort of based on this idea that the economy is just going to start coming back in the back half of the year?

<A – Stephen Zelnak, Jr.>: I think it's that, plus a key factor in all of this is the confidence level of consumers which translates into the confidence level of developers and lenders. If in fact you have a higher confidence level, you are going to see people much more inclined to move forward on projects. And a big swing factor for 2008 is in commercial construction in our view, and we already talked about housing, we think it will be down for the year with a little bit of up-trend in the back half. We think the infrastructure component of business will be up modestly. What swings our volumes between a slight plus and potentially 3% negative as we see it today, is going to be that non-res construction and a level of confidence, particularly as it relates to office building, distribution and retail will play a major role in that. So that's what we are looking at.

<Q – Todd Vencil>: And just if I can just follow up on that real quick. You mentioned last quarter that a lot of the development markets seem to have taken a cautionary pause and that seems to be kind of -- sort of the same language in terms of the confidence there. Have you seen some of that caution abate or is the caution still out there and you are just hopeful that it's going to abate going forward?

<A – Stephen Zelnak, Jr.>: It's still out there right now, and I don't think we are going to get a reasonable read on it until we get in to the midst of the second quarter where, based on seasonal patterns, volume typically picks up. I don't think we are going to get much of a read on anything in the first quarter.

<Q – Todd Vencil>: Got it. All right, thanks.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Next up with Longbow Research, we have David MacGregor.

<Q>: Hi, this is Garrett Schmoises in for David. You mentioned Texas and the Carolinas with respect to infrastructure spending. Can you just talk about some of the other markets where you might be particularly positive for 2008?

<A – Stephen Zelnak, Jr.>: I think Georgia infrastructure will have another good year. I think Indiana infrastructure will have a good year in the midst of all the other issues that are taking place

out there with employment around automotive. Those will be the two most notable. Virginia, I would throw in that category, they've got a new \$3 billion bond issue that has been approved. And I think you are going to see Virginia began to perk up after some pretty low levels of spending in that state. We don't have a big chunk of Maryland, but Maryland likewise has stepped up and increased their annual funding of highways by roughly \$400 million, and that should be a plus there. Lot of activity going on in the states, and I think over the next 12 to 18 months you are going to see many of the states take additional actions to fund their programs, and they literally don't have much choice unless they want to be grazing cows in the interstates.

<Q>: Can you talk about some of those actions that they are looking at?

<A – Stephen Zelnak, Jr.>: Well, the actions that they are looking at are increased bond funding where they have the capacity to do that, not only at the state level, but you can see, and you'd continue to see the local area bond funding initiatives, both for transportation and in particular for schools at the local level. And those are good demand items for us. You are looking at just revenue, recall; I think they like to refer to them as revenue enhancers. I think it's called more taxes. The reality is that you are seeing increases, not on the gasoline tax, but on registration fees, transfer taxes, and I think you are going to see the states go to that pretty heavily. Because they know that over the long term that the gasoline tax is not going to be the vehicle to pay for roads as it is structured today, particularly with the new fuel requirements that Congress has mandated.

<Q>: Thank you for that detail. And can you talk about your CapEx forecast for '08?

<A – Stephen Zelnak, Jr.>: Sure. CapEx in 2007, about 265 million. 2008 is going to be very similar, and it's going to be driven by the big project we have going on at Augusta which will be somewhere between 50, \$55 million, and the significant majority of that spending will be in '08. And it's driven by relatively heavy expenditure on mobile equipment just based on aging issues, turnover that we have there. So we'll see those as the leading elements. As we get beyond 2008, I would expect that mobile component to come down pretty significantly. We will continue to have some fairly heavy land expenditures investing in the future of our reserve base, and we'll probably have at least one really big plant project going on at the same time. But if we get beyond '08, you might see that number come down about 10% or so.

<Q>: Okay. And just lastly, you've talked about the 1,000 basis point margin improvements forecast. Do you reiterate that forecast today, and is there anything you see out there that gives you pause or reasons for concern?

<A – Stephen Zelnak, Jr.>: We really believe that that's there. If you get some truly aberrant behavior in the US economy for an extended period of time that would make it more difficult. But, what we've said in the beginning was that we expected to get the 1,000 basis points over five years, with 2005 as a baseline. We're two years in and we're at 440 basis points. 2008 will be challenging in that regard, no question about it, with volume levels really being the key there. I think we'll do a pretty good job on our cost as we have been doing. But we also said in the very beginning that it's not 200 basis points a year. You're going to see more when the market's up and less when the market's down. And our view is an expectation that we see the market begin to trend upward, certainly in '09 and 2010, likely to be very good year with respect to volume and margins, as we look at it today. So I would reiterate that we continue to have that as a primary focus point for us.

<Q>: Great. Thank you very much, and good luck.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Moving on, we'll take the question from John Fox with Fenimore Asset Management.

have it shortly. What I can tell you is, as you would expect, housing dropped sharply, and commercial ramped up sharply, and a simple ramp up in the percentage that goes to infrastructure. But we'll get those final numbers very shortly.

<Q – John Fox>: Okay, great. Can you just tell us what you know about the update in Florida and Lake Belt and what's going on with pricing in aggregates in Florida?

<A – Stephen Zelnak, Jr.>: Nothing new on the Lake Belt that you haven't already seen publicly.

<Q – John Fox>: Right.

<A – Stephen Zelnak, Jr.>: So we have no idea of what the timing maybe down there or what the ultimate decision will be. With respect to pricing, the Miami area producers have been pretty aggressive, but when you take out 25% of the capacity, you are in a position to do that. And they have pushed prices, they got a \$5 increase in the beginning of the fourth quarter and they announced another \$5 at the end of the year.

<Q – John Fox>: Right.

<A – Stephen Zelnak, Jr.>: We'll see how that all works out. There has been talk of an additional increase by mid-year.

<Q – John Fox>: Okay. And so I clarify it, on the buyback you said you wanted to continue that and get up into your range which would be 2 to 2.5 times debt to EBITDA, is that correct?

<A – Stephen Zelnak, Jr.>: Well you know as well, we lay out targets, and then we really seek to make the targets. And that's our target range. It's carefully thought through. Actually if we had -- the only reason we weren't right there for 2007 is that share buyback at the end of the year, the last three days didn't settle until calendar '08. Otherwise, we would be have been right at 2.0.

<Q – John Fox>: Okay.

<A – Stephen Zelnak, Jr.>: So you should have an expectation that we are going in the target range in 2008.

<Q – John Fox>: Okay. And do you see, given all the stress out there in the world today, acquisition opportunities in this environment?

<A – Stephen Zelnak, Jr.>: Not many. I mean we continue to look at some small ones. We had indicated we have an interest in what Vulcan is going to divest. So that's Vulcan's call as to what they do there. We continue to look, but we also continue to do what we've been doing, and that is to invest organically where we think we just have exceptional opportunities. And then when we weigh it out between buying Martin and buying some other things, we kind of like ourselves.

<A – Anne Lloyd>: John, we've had some good opportunities to acquire additional properties in 2007, and also we expect that in 2008.

<A – Stephen Zelnak, Jr.>: Reserve property?

<A – Anne Lloyd>: Right, reserve property.

<A – Stephen Zelnak, Jr.>: Right, you mean land.

<A – Anne Lloyd>: Yes.

<A – Stephen Zelnak, Jr.>: Yeah. So, we're -- we continue to invest for the long term in the business. I think we've made some key land moves and we have some more in the plan for 2008. We're going to stay on that because that is your 50-year cash flow?

<Q – John Fox>: Right. That's in the CapEx number, right?

<A – Stephen Zelnak, Jr.>: Yes.

<A – Anne Lloyd>: Yes.

<Q – John Fox>: All right. Thank you.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: From Goldman Sachs, we move on to Ajay Kejriwal.

<Q – Ajay Kejriwal>: Hi, good afternoon. I'm wondering if you could maybe clarify a little bit on that pricing guidance, 5.5 to 7.5%. Sounds like you have the bottom end already implemented and could get to the top end if you get volume. Is that the right way to think about it, or there is more that could be implemented later this year?

<A – Stephen Zelnak, Jr.>: I don't think we will see additional price increases this year, certainly not anything significant. Much will rest on where the volume comes from, because there is a significant disparity between pricing, between truck quarries and long-haul distribution yards. And there is significant range between areas of the country. So it's going to be transportation mix and geographic mix, I think that will be the determining factors as to where we wind up.

<Q – Ajay Kejriwal>: Okay. So and this is more a hypothetical question, I want to understand the sensitivity around pricing with respect to volume. So if volume were to decline more than your 3%, the bottom end of your range, would you still get 5.5 pricing or there could be some leakages there?

<A – Stephen Zelnak, Jr.>: Unless the world turns upside down totally, we think we have given you a valid range with any kind of reasonable assumptions about volume. The key consumer in this equation in terms of pushback, is the ready-mix concrete producer. And if you look at what's happened to them in the last two years, but particularly the last year, they've gone from being very busy with very attractive margins to a point where with the loss of the homebuilding volume, they have seen volumes come down sharply in just about every area of the country. So very difficult to pass along much in the way of price increases to ready-mix concrete guys at this point. To the extent that we get some pick-up in the economy, it should benefit them first and actually make 2009 pricing a little bit more attractive, or easier to implement at least.

<Q – Ajay Kejriwal>: Okay. Moving to the Carolinas, it sounds like volume declined 28% in December and part of that was weather related. Would you get some of that back in the first quarter, or that's more a second/third quarter kind of phenomenon?

<A – Stephen Zelnak, Jr.>: I don't think you're going to get it back in the first quarter, and the reason is pretty simple. When contractors have overwhelming backlogs they work in weather conditions that normally would shut them down. They don't have overwhelming backlogs. That's just a fact of the economy. So I think what you're going to see the contractors do is they're going to look for more optimal working conditions. Because when they crank up and go to work they want to get efficiency out of their workforce, they want to feel comfortable that they are going to get long workdays. So I would expect that they're going to push out in the first quarter, they're going to take their time as far as opening up to do projects that they have, and in effect pace out the backlog to see if the second half develops in a positive way, just what we talked about earlier.

<Q – Ajay Kejriwal>: Great, thank you.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Next up with UBS we have Kim Lutaners .

<Q>: Yeah hi. I wanted to ask if you can talk about volume discipline and it's been a couple of years now of volumes easing a bit, and wondered if your fellow quarry owners are also contracting volumes consistently as they have in recent years.

<A – Stephen Zelnak, Jr.>: Certainly, as far as we know, you have seen a general downdrift in aggregate demand, and that's a function predominantly of housing. I don't know of any of the significant players that haven't experienced that. You may have small player somewhere who has a special situation, but certainly the larger, more geographically diverse players have seen it. Q4 '07 was the seventh consecutive down quarter of volume, and we would expect as we go into Q1 of '08 that that's going to be a down volume quarter. We've already said first half down volume; Q2, we will talk about it when we get here, but certainly nothing rousing going on in the first half that's going to lift volumes up significantly. Everybody is seeing it. And the nice thing about the aggregates business, unlike let's say cement or lime where you've got 24/7 operations, is that you can't shut your plants down, you can't reduce hours, you can adjust your production schedule, and to some degree, your cost run rate, based on the volume of demand. And certainly, that's what we are doing and that's what we are seeing others do.

<Q>: Okay, great. And then also just wanted to ask about, it is a very political year obviously, but can you talk to us about what the industry is doing and how preemptive you think the industry is being regarding the highway trust fund and addressing the imbalances there?

<A – Stephen Zelnak, Jr.>: Well, it's interesting to us that the federal government wants to throw somewhere between 150 and \$180 billion at the consumer, which I personally view as a stimulus plan for China as opposed to investing in America. And maybe that gives us some insight into the short-term versus long-term nature of our politicians.

We are sitting here with infrastructure needs that are just absolutely overwhelming. And the track record on infrastructure investment is that \$1 billion of that kind of investment creates 47,000 jobs, and it's not 6 to \$8 an hour jobs, these are jobs that can be 15 to \$40 an hour. So certainly, the industry is trying to make its voice heard. There seems to be a fair amount of deafness at the political level, and I am sure that relates to the fact that we have got a November election coming. And politicians are what they are, particularly ones that are running for office right now.

So we are going to continue to pound away at it, at some point back to "grazing cows on the interstates" comment I made earlier. They are going to get it and they are going to make the moves. Historically, they've done it. They've typically been late. We've got the safety issue that has been pointedly rammed home with the I-35 bridge collapse in Minneapolis. So I think there is plenty of fodder for discussion out there. I think the states are going to continue to lead as opposed to the federal government, and frankly, the states are leading on a lot of things. The federal government seems to be caught up in itself particularly with the political bickering that goes on between the two parties.

<Q>: Thank you.

<A – Stephen Zelnak, Jr.>: So where it all goes Kim at the end of it -- historically, they reauthorize late, but I would expect that the Democrats are going to sweep at the Congressional level, certainly based on everything we see today. If that is the case, and we were to get a Republican President,

the Democrats are generally much more infrastructure friendly and focused, and I would expect that they're going to have a veto-proof majority.

<Q>: Okay, very helpful. Thanks.

<A – Stephen Zelnak, Jr>: Okay that bodes well.

Operator: Next, we move on to Clyde Lewis with Citi.

<Q – Clyde Lewis>: Good afternoon, Steve. Two questions if I may. In the statement, you're talking about sort of ballast, rail ballast and the chemical grade aggregates market looking pretty positive. Can you just sort of refer I guess a little bit of further detail in terms of sort of volumes you're talking about there and the slow pricing versus the [inaudible] state you are selling them, and how attractive that is? And the second one I had was probably more for Anne, in terms of the sort of other items both for the -- on an operating and a non-operating level. Could you just remind us what was -- I think you said a one-off nature last year that's unlikely to repeat in 2008?

<A – Stephen Zelnak, Jr>: Okay. Why don't we start with the financial question, let Anne answer that, and I'll come back to the market question.

<A – Anne Lloyd>: Yes, Clyde. That, that -- particularly in the other operating kind of expenses that are generally excess in property sales, land sales and also excess equipment or surplus equipment sales. That number ranges in that kind of 10 to \$12 million a year guideline, and we just actually had a couple more larger property sales this year than we had last. So it's become sometimes opportunistic depending on the buyer.

<Q – Clyde Lewis>: Okay, okay. And then in the non-operating line was that a one-off disposal now as well?

<A – Anne Lloyd>: The non-operating line is primarily revenue generation from our non-consolidated investments, particularly our investment in a concrete company in North Carolina. They had a very good year, and we get our share of their earnings. So I don't consider that to be one-off. They've had a pretty good track record and have a good vision for 2008 also.

<Q – Clyde Lewis>: Okay, okay. Great, thanks.

<A – Stephen Zelnak, Jr.>: Okay. And if you look at ballast chemical-grade and the other component of that other category is agricultural lime. The chemical-grade opportunity for us certainly should be a half a million, as much as a million tons better in '08 than it was in '07. We picked up some contracts in '07, but we didn't get full-year benefit. So we're very positive about chemical-grade stone going to flue gas desulfurization. Railroad ballasts -- the pressure on the railroads has eased off a little bit, but the railroads continue to invest at a very significant level in their trackage and actually they get an opportunity to do a little bit more if they choose simply because they got more leeway because of a little less traffic and opportunity to do it. So we expect a good year there. The agriculture lime business is interesting because that's midwestern business for the most part. That's where the high demand is and actually that December weather hurt us pretty badly with respect to agriculture lime out in Iowa in particular. When you get that kind of weather, the farmers can't spread lime and they really can't get in the fields to do that until the weather clears. Given the farm incomes, historically the farmers spend heavily on aglime, when their incomes are up and certainly they are at record level incomes with the price of corn and soybeans. So we would expect a very good agriculture lime season. Pricing on those products -- but when you sum them up, they're in the range close to our average selling price for all products. There'll be regional variances, but they are not going to be much off the mark there.

<Q – Clyde Lewis>: Okay, okay excellent. One more if I may, will be a very quick one. The weather patterns in January '08, were they noticeably different to January '07 in most markets?

<A – Stephen Zelnak, Jr.>: We won't comment on weather until we get to the end of the quarter. We will let you look at the weather maps. You can get that off the National Oceanic and Atmospheric Administration's weather map. And they'll display that for you month-by-month. It's really a good way to look at it in terms of temperatures and precipitation.

<Q – Clyde Lewis>: Okay. All right, thanks Steve.

<A – Stephen Zelnak, Jr.>: So, rather than us comment, I'll send you to the genuine source, and then if it's an issue, we'll talk about impacts on us at the end of the quarter.

<Q – Clyde Lewis>: Okay, thanks.

Operator: Next up we have Steve Farley with Farley Capital.

<Q – Stephen Farley>: Yes. I want to go back to the price increases in Florida, which seem quite significant. If I – so if I do my math correctly, if you do 2% of your volume in Florida, that's maybe something like 4 million tons and if prices have gone up \$10 a ton in Florida that would be an extra \$40 million to you which is almost \$1 a share pre-tax. What are you assuming -- in the guidance you've given us, what are you assuming with regard to prices in Florida, and where in fact are your prices today in Florida?

<A – Stephen Zelnak, Jr.>: Well first of all, when I referenced pricing in Florida, I was specific to talk about the Miami area. And we don't produce in the Miami area. So -- and we don't market significantly in the Miami area. So the benefits of that level of price increase goes directly to the producers who are there in that area because of the shut down of capacity. From there, their shipments that come out of the Miami area, there also are shipments into other parts of the state -- into the central part, even all the way up to Jacksonville and over toward Tampa and then you begin to have shipments coming in by water and shipments coming in by rail, which is where we participate. And certainly we're going to see some level of price increase. I referenced the fact that that is one of our better opportunities, but it's nowhere close to what the Miami area producers have an opportunity to get just simply based on their location. So don't do a quick math on that one and bringing that to the bottom line because that certainly will not be the case for us. It will be good but not that good.

<Q – Stephen Farley>: What have you done in your markets in Florida in prices, both October 1 and January 1 if anything?

<A – Stephen Zelnak, Jr.>: Well we raised prices, but I'm not going to break it out for you specifically on those markets. I guess I will say that the rate of increase for us down there is certainly above our average that we've laid out as our target for the year. It's one of the better opportunities.

<Q – Stephen Farley>: And what's your outlook in terms of volumes in Florida? Might you increase your volumes also?

<A – Stephen Zelnak, Jr.>: We think there is certainly a possibility that depending upon what ultimately happens with this Lake Belt litigation. So we're poised to do that -- the expectation that we'll pick up some volume.

<Q – Stephen Farley>: Thank you.

Operator: Next we'll take Chris Manuel with KeyBanc Capital Markets.

<Q – Christopher Manuel>: Good morning, or good afternoon I guess. Yes, afternoon. It's been a long day. First question I had for you was kind of a follow-on to an earlier question. When we look at the comparisons in the first and second quarter of the year, your first and second quarter you had volumes that were down closer to 15% I think in the first quarter and a little under 10 in the second. When we kind of compare that to what you're anticipating for full year should we -- before they did pickup than later through '07, should we anticipate that vis-à-vis the down one to up three range for the full year, that you could be down something closer to mid single-digits in the full couple of quarters of the year? Or can you help us a little bit of the timing?

<A – Stephen Zelnak, Jr.>: Well, it's possible that we can be down that much. I would not expect that right now. I would hope that we would do better than that.

<Q – Christopher Manuel>: Okay.

<A – Stephen Zelnak, Jr.>: But that's a possibility. It's just frankly quite unpredictable and not as much visibility as we like particularly with when contractors are actually going to go to work on the backlogs that they have. If you go back last year and you look at the volume declines, it was 15%, first quarter; 9%, second; 4%, third; and 5%, a little better than that, 5.5 in fourth quarter. We have anticipated that fourth quarter was going to be better and that that progression of volume decline that it would have been less than the decline in Q3. And certainly as we've outlined it was well on track through October, November. We were plus one. We actually anticipated a down December. I would have expected that volume would have been down 3 to 5% for that month and we got the 19% volume decline, which was predominantly weather driven. As we come into Q1 and Q2, I think what you've articulated hopefully is worst case and that we seek something that is little better than that as a starting point.

<Q – Christopher Manuel>: That's helpful.

<A – Stephen Zelnak, Jr.>: Okay.

<Q – Christopher Manuel>: And then my second question was have you seen any other pushback or deferrals in any of the infrastructure projects in other states than the ones you've mentioned that only come at it two ways. First is you indicated there were some state budget issues, which sounded like some projects may have been pushed back a bit, maybe I'm reading into that. And the second question with that was, have there been any other potential pushbacks or delays in any of your industrial projects or other commercial projects?

<A – Stephen Zelnak, Jr.>: No, on the infrastructure side other than what we talked about, nothing that's really of note. On the commercial side, the answer is yes, which is why we made the comment last quarter about seeing some things that were a little different. People are cautious right now and developers are measuring very carefully when they get started. Because once they start and break ground, it's difficult for them to pull back. So we will see projects that are scheduled to start at a particular time and you're measuring these things in weeks or maybe even months in terms of when they actually begin. Are the projects going away? No, I don't seem them going away. It's just a question of deferral and the timing for developers to build what they're building. And in some cases, they're just not impacted at all because they're so capacity driven, and the people that are doing the projects are so long term that they're just going to move refinery projects and lots of activity related to energy.

<Q – Christopher Manuel>: Okay. That's very helpful, thank you.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: We'll take Dan Oppenheim with Banc of America Securities.

<Q>: Hi this is Mike Wood. Can you tell us about how closely you're monitoring the pricing strategy of the competitors, particularly maybe the private homebuilders, and whether or not you've seen any changes in the trends, how -- what kind of price increases they're trying to get compared to yourself? And if there's any specific examples in markets, it would be helpful. Thanks.

<A – Stephen Zelnak, Jr.>: Well, there's certainly no correlation between the pricing by homebuilders and pricing in the aggregates business.

<Q>: I'm sorry; I meant the private aggregate companies.

<A – Stephen Zelnak, Jr.>: Okay. The private aggregate companies, historically in a downturn tend to be more aggressive. I think that's just a reality for them. Have we seen anything that's unexpected? Not really. They do what they normally do. The nice thing that's happened over time is that there has been a lot of consolidation. The public players I think are much more financially oriented and probably spend a lot of time doing their market analysis, probably much better tuned in to what's going on in a market as opposed to just looking at their core shipments by day, and seeing them go down for five straight days, and getting to think that perhaps it's something that they're doing or not doing as opposed to the market changing. So it all comes back to analytics at the end of the day. We certainly spend a lot of time trying to assess the demand in our markets, trying to assess where our competitors are. And certainly, there's a lot of firefighting going on over volume opportunities, but at the same time, if you run your math, there is only so far out where you can reach because of the transportation advantage where it makes sense for you on a cost basis. So that's one of the beauties of our industry. It is very much transportation sensitive. So if you have location advantage, then you have an opportunity to get the better pricing.

<Q>: Thank you.

<A – Stephen Zelnak, Jr.>: Sure.

Operator: Next question will come from Barry Vogel with Barry Vogel and Associates.

<Q>: Good afternoon ladies and gentlemen. My questions have been answered. Thank you.

<A – Stephen Zelnak, Jr.>: Okay, Barry.

Operator: There are no more questions in the queue now. I'll turn things back over to our speakers for any further or concluding comments they may have.

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

Okay. Well again, we thank you for joining us today. I'll just characterize it as interesting times. We're going to stay focused on the cost management. I think it's a time when that demands inordinate focus. Certainly, we're hopeful that we will see some pickup in volumes by the second half at the latest. And with that, we might not expect to turn in another good year. And we'll talk to you about the first quarter results on -- at the end of April. Thanks for joining us.

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