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## PARTICIPANTS

### Corporate Participants

**C. Howard Nye** – President, Chief Executive Officer & Director
**Anne H. Lloyd** – Executive Vice President, Chief Financial Officer and Treasurer

### Other Participants

**Kathryn I. Thompson** – Analyst, Thompson Research Group LLC
**Robert Wetenhall** – Analyst, RBC Capital Markets Equity Research
**Rodny Nacier** – Analyst, KeyBanc Capital Markets
**Ted Grace** – Analyst, Susquehanna Financial Group LLP
**Jerry D. Revich** – Analyst, Goldman Sachs & Co.
**Garik Shmois** – Analyst, Longbow Research LLC
**Adam Rudiger** – Analyst, Wells Fargo Securities LLC
**Trey Grooms** – Analyst, Stephens, Inc.
**Chris D. Olin** – Analyst, Cleveland Research Co.
**Keith Brian Hughes** – Analyst, SunTrust Robinson Humphrey
**Mike F. Betts** – Analyst, Jefferies International Ltd.
**Brent Thielman** – Analyst, D. A. Davidson & Co.
**Clyde A. Lewis** – Analyst, Citigroup Global Markets Ltd.

## MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Martin Marietta Materials First Quarter 2012 Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time. [Operator instructions] As a reminder, today's conference call is being recorded.

I'd now like to turn the conference over to your host, Mr. Ward Nye, President and CEO. Please go ahead.

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

Good afternoon and thank you for joining Martin Marietta Materials' quarterly earnings call. With me is Anne Lloyd, our Executive Vice President and Chief Financial Officer. We're grateful for your time today and the opportunity to share our first quarter 2012 results.

As an initial matter, let me remind you that this discussion may include forward-looking statements in connection with future events or future operating or future financial performance. Forward-looking statements in this discussion are subject to a number of risks and uncertainties, which could cause actual results to differ materially from such statements. Except to the extent required by applicable law, Martin Marietta undertakes no obligation publicly to update or revise any forward-looking statements ,whether as a result of new information, future developments, or otherwise. Martin Marietta refers you to the legal disclaimers contained in our press release relating to our first quarter 2012 results and to Martin Marietta's other filings with the Securities and Exchange Commission, which can be found on the SEC's website.

Our first quarter results reflect positive trends in both our aggregates and magnesia specialties businesses, leading us to increase our full-year guidance. Our aggregates business achieved

volume and pricing improvements that resulted in expansion of heritage aggregates business gross margin by 250 basis points excluding freight and delivery revenues. Volume growth in each of our end-use markets led to a 9.6% increase in heritage aggregates product line shipments over the prior-year quarter.

As expected, our pricing momentum continued and it exceeded our forecast, achieving a 2.8% improvement in average selling price for our heritage aggregates product line over the prior-year quarter.

We're also pleased with first quarter results in our recently acquired operations in the Denver, Colorado area, which benefited from heightened construction activity in the Denver market.

Additionally, our Specialty Products business continues to perform well and has again established new records for both quarterly net sales and first quarter earnings from operations.

Consolidated first quarter results were predictably hampered by the seasonality of our new Rocky Mountain division. This division's better than expected performance was achieved despite almost 55 inches of Denver area snowfall this past winter. Whereas the operations along the Mississippi River that we exchanged last December are less susceptible to winter weather, the acquired Denver operations will tend to have weaker first quarter results and realize stronger earnings and cash flows later in the year. For the full year 2012, we expect this River for Rocky Mountain asset exchange to be neutral to our earnings before interest, taxes, depreciation, and amortization, or EBITDA. Importantly, we expect this acquisition to be accretive in 2013.

Our quarterly earnings also reflect expenses related to our proposed business combination with Vulcan Materials Company. Excluding the $0.34 per diluted share effect of these expenses and the $0.17 loss per diluted share of the newly acquired operations, our adjusted loss per diluted share improved 23% to $0.30 versus the first quarter of 2011's loss per diluted share of $0.39.

Our heritage aggregates product line volume growth reflects improvement in each of our reportable groups, led by a nearly 12% increase in our West Group. While our aggregates business benefited from mild winter weather in most heritage operating regions, we also saw indications of economic growth bolstering demand. As an example, our Midwest division, which primarily serves Iowa and Nebraska, reported a 34% increase in heritage aggregates product line volumes. Mild weather contributed to a nearly 100% increase in this market's agricultural lime shipments over the prior-year quarter. Similarly, as counties and municipalities accumulated unspent snow removal funds, this money sometimes is used for roads resurfacing projects, reflecting construction activity that should be incremental for the full year. This division also experienced heightened non-residential shipments, a usually reliable sign of economic growth.

As I mentioned, earlier each of our heritage end-use markets grew. The heritage non-residential end-use market led with a 17% increase in aggregates product line shipments over the prior-year quarter. This growth reflected increased shipments for repair and maintenance projects as well as energy sector activity.

Heritage aggregate shipments for our residential end-use market increased 8% over the prior-year quarter, led by single-family housing activity. Growth was noteworthy in the San Antonio, Texas area, partially attributable to military base realignment and closure activity. San Antonio data also reveals that multi-family housing is currently at a 93% occupancy rate. There are also encouraging signs in markets such as Charlotte, North Carolina, where a customer who has not bid on any subdivision work in three years now has the opportunity to bid on at least five new projects.

Our heritage infrastructure end-use market increased 7% over the prior-year quarter. We are very encouraged by this growth, as this market remains constrained by uncertainties surrounding long-term federal highway funding. Recently, Congress again extended federal funding through June 30.

This is the ninth short-term continuing resolution since the long-term federal transportation bill expired in September 2009. During this interim period, states have been pressed to further supplement the funding of infrastructure investment. To that end, we were gratified when the State of Texas announced plans to leverage an additional $2 billion to fund high-priority projects for the next two years.

Additionally, in North Carolina, the Garden Park toll road near Charlotte is expected to be bid later this year. Also, the State of North Carolina recently received permission to collect tolls on Interstate 95 as a funding mechanism for plans to overhaul the state's entire 182 miles of this highway. Our significant presence throughout Texas and North Carolina makes us well positioned to serve these aggregates intensive projects in both the near and longer term.

In concluding our comments on heritage end-use markets, ChemRock and rail shipments increased 4% over the prior-year quarter.

Heritage aggregates pricing improvement was lead by a nearly 8% improvement in our West Group. In addition to pricing increases implemented during 2011, first quarter pricing benefited by increased sales from distribution yards in South Texas. As you may recall, we developed a new rail located sales yard in South Texas, principally designed to serve Eagle Ford Shale activity.

Our Southeast Group reported a pricing increase of 2%, whereas our Mideast average selling price declined nearly 2%. Pricing in our Mideast Group is typically more sensitive to job type. And for the quarter this fluctuation was driven by product mix as we served a certain project with lower priced sand.

As expected, the increase in our overall aggregates product line average selling price was less than the increase in our heritage locations. This is due to our newly acquired Denver-based business, which as a reminder is a truck-served market with lower overall average selling prices. Additionally for the quarter, these locations had a higher percentage of sales attributable to base stone versus clean stone when compared with our heritage aggregates business.

During the quarter, in response to increased shipments, heritage product line production rose by more than 8%. Although we gain efficiencies with higher production levels, certain direct production costs, including supplies and repairs, are typically negatively affected by unplanned increases early in the year.

We also continued to experience higher energy costs in the quarter, led by increased diesel fuel expense. For the quarter, we paid an average of $3.24 per gallon for diesel fuel, 15% more than the prior-year quarter. Overall, energy expenses increased 18% over the prior-year quarter. Despite these cost headwinds, we reduced heritage aggregates production cost per ton slightly compared with the prior-year quarter. On a consolidated basis, cost of sales increased proportionally to the increase in net sales.

We continue to focus on controlling our selling, general, and administrative, or SG&A expenses. We reduced these cost by 50 basis points as a percentage of net sales even after adding nearly 500 employees with our three acquisitions completed in 2011. We achieved this result by implementing certain organizational changes in last year's fourth quarter. This reorganization included the early retirement of several senior executives as well as the realignment of our operating divisions and personnel to better match current business levels. While on an absolute basis SG&A expenses increased $4.4 million, primarily related to our acquisitions, as a percentage of net sales, we believe our SG&A is industry leading.

Our operating performance continues to benefit greatly from our Specialty Products segment, which again set new records for both quarterly net sales and first quarter earnings from operations. Net sales of $51.7 million show a 5% increase over the prior-year quarter, reflecting growth in both

dolomitic lime and chemicals product lines. Increased sales along with effective cost management resulted in a 440 basis point improvement in the business operating margin over the prior-year quarter excluding freight and delivery revenues.

Earnings from operations for the quarter were $18.2 million. To demonstrate the long-term growth of this business, earnings from operations are nearly three times the level achieved in the first quarter of 2009.

We continue to invest in the new lime kiln being constructed at our Specialty Products Woodville, Ohio facility. We expect this project to be substantially completed by the end of the year and thereafter generate annual net sales ranging from $22 million to $25 million, with margins comparable to current levels.

While focusing on operating our business, we also continue to pursue a business combination with Vulcan Materials. Accordingly, several related developments are ongoing. First, we're working with the Department of Justice on its regulatory review and to narrow the issues remaining to be discussed. To date, we're pleased with the progress in this aspect of the proposed transaction and are optimistic that we will resolve the outstanding issues around mid-May.

Additionally, we've completed a bench trial in the Delaware Chancery Court related to certain aspects of the exchange offer and are awaiting the Chancellor's ruling. We're also proceeding with our nomination of four independent directors to the Vulcan Board at its Annual Meeting scheduled for June 1. We believe Vulcan shareholders deserve committed directors that act in their best interest, viewing our offer through an independent lens. As expected, our multiple efforts have financial ramifications. And for the quarter, we incurred $26 million in business development expenses. We continue to believe the combination of our company with Vulcan provides a compelling opportunity to enhance value for shareholders of both companies and are steadfastly committed to making this transaction a reality.

During the quarter, we used $4 million for operating activities compared with $21 million provided by operating activities in the first quarter of 2011. As expected, the Denver-based operations were a significant factor, as we used approximately $22 million for operating activities at these newly acquired locations. Operating cash flow for the year also reflects the impact of business development costs. Our days sales outstanding was 45 days, unchanged from 2011.

We invested $38 million in organic growth capital during the quarter and maintained our quarterly dividend rate of $0.40 per common share.

At March 31, 2012, our ratio of consolidated debt to consolidated EBITDA was 3.53 times, in compliance with the limits under our amended debt covenant.

We are increasingly optimistic for the rest of the year. And based on first quarter trends, we revised our heritage aggregates product line volume guidance. We now expect infrastructure end-use market volume to range from flat to down slightly. We anticipate double-digit growth in non-residential shipments, driven by increased energy sector demand. Residential shipments are expected to increase at a higher rate compared with the level of improvement in 2011. Finally, we expect ChemRock and rail volume to be consistent with 2011. Overall, we now expect heritage aggregates product line volume to increase from 4% to 5%. We also expect overall heritage aggregates product line pricing to increase from 2% to 4%. A variety of factors beyond our direct control may exert pressure on our volumes, and our pricing increase is not expected to be uniform across our company.

Politically, we are encouraged that the President continues to advocate rebuilding America's infrastructure. We're also pleased to continue to see bipartisan Congressional agreement that infrastructure is an essential government priority. Still, since this is an election year, our expectation

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is that the current federal highway program will be extended only by more continuing resolutions until the end of the year.

Our heritage aggregates direct production cost per ton is expected to decline slightly, with increased production generating operating efficiencies. This expectation assumes that production efficiencies will offset increases in energy prices.

SG&A expenses exclusive of the incremental expense at our new Denver operations are expected to decline slightly. We expect improvement in SG&A expenses related to the Denver operations as we continue to integrate them into our disciplined cost structure.

Earnings for our Specialty Product segment are now expected to range from $68 million to $70 million. We expect interest expense to remain flat this year. Our effective tax rate is expected to be approximately 22%, and capital expenditures are forecast at $155 million. This estimate includes the remaining capital for the new kiln at our Specialty Products business.

As a reminder, our expectations for 2012 assume Martin Marietta Materials on a standalone basis and do not consider any effects that would flow from the proposed combination of Martin Marietta and Vulcan Materials.

This is an exciting time for Martin Marietta and we remain focused on operating our business and delivering results that enhance long-term shareholder value.

Thank you for your interest in Martin Marietta Materials. At the end of today's call, I'll offer some additional closing comments. However, if the operator will now give the required instructions, we'd be happy to address your questions.



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## QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Arnie Ursaner of CJS Securities. Please go ahead.

**<Q – Arnie Ursaner>:** Good afternoon, Ward. Good afternoon, Anne. What gives you the confidence to raise your volume expectation for the year? What are the factors you're focused on?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Arnie, if we go back and take a look at the different buckets where the volumes are coming from, we've seen even up in infrastructure in the first quarter. I know that's not what we're seeing for the full year across the entire business or the entire country. But if you look at where Texas is and what their DOT spending is likely to be, if you look at where North Carolina is, if you look at a state like Iowa that has the largest DOT program in its state's history this year, those are all important states for us.

I think more importantly though is we come back and look at some of the other buckets. If we look at non-res, clearly the activity we've seen in energy last year coming into this year continues to be good. But I think what really gives us some confidence is we're seeing movement beyond just energy in non-res. We're seeing new data centers. We're seeing distribution centers being built. And then even as we go into the residential market, what we're seeing with respect to housing is a pretty good story. We talked a little bit about what we were seeing in San Antonio in the prepared remarks, but we're seeing good single-family activity in a number of markets across our business. We also continue to see a lot of multi-family activity as well. We're seeing that in places like Wilmington, North Carolina. The coastal areas of the Carolinas have been pretty hard hit the last couple of years. And when we're seeing new apartment complexes going up, that's giving us a lot of confidence. And then finally, even what we have in ChemRock and Rail where callings were to be relatively flat for the year, clearly what we've seen in Ag lime in the first part of the year tells us there continues to be pent up demand in that sector. So, Arnie, as I picked and marched through those buckets, that's a quick snapshot that I'm seeing, and I think that does give us confidence that the volume growth is going to be there.

**<Q – Arnie Ursaner>:** That's very thorough and thank you. And just as a follow-up, the 250 basis points improvement you had in margin, can you go through some of the factors that are in your view of the sustainability of the margin improvement?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Clearly this is something we've been doing for a while, so we are not newbies to taking out cost and we continue to look at it. I'm proud of what we've done with the costs in this quarter, particularly given the fact that we've been doing this for a while now. I'll tell you what really gave me some even greater appreciation of what our operating teams did. We actually moved considerably more material by rail this quarter than we have in previous Q1s. My last number in my mind tells me that we moved around 38% more material by rail this quarter going from operating locations to new yards or other yards than we did in the prior quarter. If we take a look at that, it would even put more even behind the 260 basis points. So as we look at what we came in with and what it really would have been more on a same-on-same, we're pretty encouraged by that.

The other thing I'll remind you too, Arnie, is we all get excited when we talk about volumes being up 9.6%. That sounds like a great number, but that's still 23.8 million tons. When I go back and compare that to history, that's a little bit less than we did in 2009 when we were at about 24.5 million tons. And last time I checked, 2009 wasn't a great year in our economy either. So when we see that type of margin on that type of volume, particularly in a Q1, I feel pretty good about it, and I do feel like it is sustainable, and I think we can continue to do quite well with it.

**<Q – Arnie Ursaner>:** Terrific, thank you very much.

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

Operator: Our next question comes from Todd Vencil of Sterne, Agee. Please go ahead.

**<Q – Todd Vencil>:** Thanks. Good afternoon, Ward and Anne.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** How are you doing, Todd?

**<Q – Todd Vencil>:** Doing well, thanks. Looking at your guidance, you've given the volume and price guidance on a heritage basis. Can you translate that to an absolute nominal basis for us?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Really what I would do – let me approach it this way, Todd. Let's go back and talk about the acquisition effect because I think that can probably help you. If we just looked at total heritage volume, I want to say that was probably up seven points, total volume up about 7.3%, pricing up around 1.1%. I think if you go back and take a look at really what the big chunk of the acquisition is, it's really going to be Denver, although we clearly did buy a business in San Antonio midyear last year. So if you come back with that and assume, we're probably looking at an incremental 8 million tons on those acquisitions on the stone side, probably an incremental 800,000 cubic yards on the ready-mix side, and around 1.5 million on the hot mix side. I think that will probably get you where you want to be, Todd.

**<Q – Todd Vencil>:** Got it, thank you. That helps a lot. Thinking about the Colorado assets, you provided us with a pre-tax and after-tax impact of that operation. Could you tell us what gross profit was?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You can see that it cost us $0.17 for the quarter. And what I would encourage you to do, just assume that that's going to be tough to make up to the full year. And keep in mind what we said is that's a business that's going to be accretive to us in 2013. What we like is the timing in which we've come into that market.

Let me give you some facts to think about relative to Denver as we look at the business, Todd. I was reading AGC America the other week. It stated that Denver leads the nation in new construction jobs. And if you look at the 12 months ended in February, it added around 6,300 jobs. With respect to homes in the Denver market from really when the trough hit, we've seen inventory down around 42%. Multifamily is up 21%, and we're seeing new subdivisions come into that market as well. So even if we look at our ready-mix business there and our hot-mix business there, we're seeing nice levels of bidding activity, not just on subdivisions, but we're seeing work at the University of Colorado student housing. We're seeing work at the VA hospital. We're seeing Denver Museum of Sciences work. And even when we look at HMA, we're seeing good municipal work, and bidding has accelerated pretty considerably. We've actually bid on in excess of 500 projects in that market. So you'll recall the strategic reasons that we thought moving into Denver was a nice move and a good time for Martin Marietta to have a one or two position in Denver, so hopefully with that volume data that I've given you and at least some of the market detail that I've provided, that can help you some more in Denver.

**<Q – Todd Vencil>:** That does help. Given the diesel has risen as I believe it had this time last year, you guys ended up going for around a midyear price increase in a lot of your markets. Is anything like that in the offing this year, do you think?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Todd, I think it is. Clearly, the midyear pricing that we went out with last year did give us some tailwind coming into this year. And you'll recall last year when we came to about this time of the year, diesel was up I want to say 30% at that time as well. So as we continue to watch it march up, it is our intention to go back to a number of markets across the United States and look for midyear price increases. It's simply time to try to share some of this. We have a lot of input issues that people simply understand, and this is a real one. And if

you're looking at first quarter, we burned 6.1 million gallons of diesel fuel. And if you look at the full year last year, we were somewhere around 28.5 million gallons. So diesel fuel is not an insignificant expense. Now energy around 12% of our cost of goods, diesel is around 8% of that 12%. So it's not something that's actually going to just push you to the edge, but it is something that you need to come back and address, and we do intend to do that midyear.

**<Q – Todd Vencil>:** Excellent, and then final one for me. If we think about the Vulcan bid and the conversations that you're having with them, you gave us an update and some timing on that. I appreciate that. I think this is one of the bigger issues that that people see around the deal. Can you talk about how that's going relative to expectations, or is it just too soon for that?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, Todd, it's probably too soon for that. I do think we'll have resolution to that here in the not too distant future. And of course, part of what you look for is to see if you feel like you're running into any remarkable surprises. We've done our homework on this. We feel like we understand it very well. And again, we're comfortable with where we're. I know people want an answer to that. And we want to give you that and we're working hard on it right now.

**<Q – Todd Vencil>:** Perfect, thanks a lot.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thank you, Todd.

Operator: Our next question comes from Kathryn Thompson of Thompson Research Group. Please go ahead.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** Hi, thanks for taking my questions today. Just in terms of weather obviously has been a good benefit for the past two quarters. To the best of your ability, how much do you think weather helped overall demand in the quarter? And along with that, what are you seeing now in terms of the demand; in other words, what you see now may be an indication that demand may not have been pulled forward?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** I tell you what, Kathryn, I'll do this. I'll tell you about now in August. The two months that I think are important during the course of the year, I think May is the critically important month. I think that really gives you good sense of what kind of rhythm contractors have. October is an important month too, but I'll tell you about April and May when we get together for the Q2.

Here's what I'll tell you though. I think weather clearly helped. When we talk, for example, about our Midwest business, and clearly you would not have doubled agricultural lime shipments but for the good weather. At the same time, that isn't just tremendous volume. You're going from probably 250,000 tons to 400,000 and some tons. It's not necessarily going to move the needle. One reason that I would actually downplay to a degree what was happening with the weather is you've still got half of this business that's driven by infrastructure. And most of these markets that are driven by infrastructure are going to have a fairly refined time in which you can do infrastructure work. And most DOTs are going to have that period of time from December 15 to March 15 as a point in time that really you're not going to be able to lay, for example, spec asphalt. So that's where your contractors are typically going to come back until mid-March under any of that.

So to the extent that you're seeing some pickup there, I think what that's evidence of is a much stronger housing circumstance and a much stronger non-res area as well. Now keep in mind when we say much stronger, all things are relative because it's coming back from such a remarkably low base. So do I think weather helped, Kathryn? Yes, I do. Do I think it really just changed things dramatically? Not particularly.

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**<Q – Kathryn Thompson – Thompson Research Group LLC>:** Great. In your prepared comments, you had some commentary about mix benefiting the quarter for certain regions. On a whole, would you say, how much was the benefit of mix versus price or price increases as a whole for the regions where you did have improvement in pricing?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** As a whole, I wouldn't say it was that profound. If we looked at the Mideast, pricing was down in the Mideast. But the fact that it was down was truly driven by one project in the Mid-Atlantic that was simply a cheap sand product. We went back and looked and said if we had taken that out and had the same mix this year that we had last year, we actually would have seen pricing up a very small percentage in the Mideast. If we go to the Southeast, I don't think mix was very remarkable there at all. To the extent that mix mattered in the West, again, it would have been simply sending some material in South Texas to a yard in particular in South Texas. But at this time of year, again, I don't think it moved the needle that much either. So I think what you're seeing is really more really what's going on as opposed to simply a shell game with mix.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** Okay. I think you guys – you said that at one point in time you might have a DOJ update by the end of April. Is there any color you can pass on that today?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** No. Kathryn, I think what I said in my prepared remarks is really where I need to be on that, and that is we're pleased with the progress that we're making going through DOJ. We continue to have dialogue with them. And when we said we thought we'd have something around mid-May, it's May 1, so we're talking couple of weeks at this time.

**<Q – Kathryn Thompson – Thompson Research Group LLC>:** Okay, all right. Great, thanks so much for taking my questions today.

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

Operator: Our next question comes from Bob Wetenhall of RBC. Please go ahead.

**<Q – Robert Wetenhall – RBC Capital Markets Equity Research>:** Good afternoon. I'm just following up on Kathryn's question. You guys had issued a press release saying that – I'm just trying to make sure I got my facts right, looking for some clarification. I think you guys had stated that you were looking to get in the second half of April from the DOJ investigating staff a consent order. And barring that consent order, you wouldn't seek to close the Vulcan transaction prior to mid-August. So are you telling us that hasn't happened, so you're looking to close the deal after August?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** I don't think that's what we're saying at all. I think what we're trying to say in the timing agreement is clearly we are working with DOJ on what I think with most of you is a very expedited basis. And I think DOJ and we continue to approach it in that fashion. And I guess what we're saying now is we think we might be a couple of weeks later than we thought we would have been before. I think that's really it, Bob.

**<Q – Robert Wetenhall – RBC Capital Markets Equity Research>:** So same trajectory in terms of your original objectives.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** That is certainly our aim, correct.

**<Q – Robert Wetenhall – RBC Capital Markets Equity Research>:** Got it, that's helpful. Just switching gears from an operational standpoint, you got a big surge in sales in the West Group, and at the same time a couple million dollars of loss, minus $5 million versus minus $3 million last year. I'm trying to get through in my head the math in the sense that I recognize that it's a tremendous

sales growth number. I thought the margin would follow a little bit better due to operating leveraging in the business. Can you help me understand what's going on there?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** It was really all the acquisitions and just bringing that in and really doing what we need to do to make those look like a part of our usual heritage business. So I think that's the moving parts that you're seeing, Bob.

**<Q – Robert Wetenhall – RBC Capital Markets Equity Research>:** So that's the 8 million tons and that's the Denver and Texas impact going into 1Q?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** That's exactly right.

**<Q – Robert Wetenhall – RBC Capital Markets Equity Research>:** And just to clarify a little bit further, and let me know if I'm getting too granular. You have reverse seasonality in Denver in the sense that you're expecting Denver to be less profitable versus the other shipments in the first quarter typically?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** I think that's exactly right. Denver, unlike a lot of the rest of the United States, really had a real winter this past year, and it's always will in the Rockies. We joked a little bit tongue-in-cheek, but we were right when we said it. If you go to the aggregate purchasing handbook, you probably don't buy Rocky Mountain business in the middle of December, and we knew we would simply have to weather that though Q1. So you're entirely right; it's going to have a different trajectory there.

**<Q – Robert Wetenhall – RBC Capital Markets Equity Research>:** That's helpful, and just one final one, if I could sneak it in. Would it be – maybe this is for Anne. Does $125 million for SG&A spend this year sound like the right number. And is there any leverage in that going forward? Thanks for the questions.

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Yes, I think, Bob, it's in the ballpark. The big leverage there is going to be, obviously, with the Denver acquisition, we've got some incremental overhead that we'll be incurring there this year. And as we continue to synergize that business through the course of the year, get the acquisition fully integrated, we should be able to bring that down in 2013 and beyond.

**<Q – Robert Wetenhall – RBC Capital Markets Equity Research>:** Any guess of magnitude what you can take off that? I'm just trying to figure out...

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Not at this point. We're probably still a little premature in that regard, but we should be able to give you some color on that later this year.

**<Q – Robert Wetenhall – RBC Capital Markets Equity Research>:** Got it, thanks for all the detail. I appreciate it.

Operator: Our next question comes from Rodny Nacier of KeyBanc Capital Markets. Please go ahead.

**<Q – Rodny Nacier – KeyBanc Capital Markets>:** Hi, Ward.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Good afternoon, Rodny.

**<Q – Rodny Nacier – KeyBanc Capital Markets>:** My first question is on pricing and the guidance for 2012. With the upward but choppy recovery that we're starting to see by end market mix, product mix, and regional mix, does the 2% to 4% pricing guide account for all these factors, or are you more assuming an apples-to-apples comparison excluding those factors?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Yes, we've done our best to go out and piece together what we think is going on out there, Rodny. I think we've tried to capture as many of those factors as we can in the 2% to 4%. Now keep in mind, the 2% to 4% does not take into account anything that we may be able to do on midyear price increases. But as you've heard me say before, even if you put in a midyear price increase, you only capture about a quarter of the benefit of that during the year in which it's put in. It gives you a better bar going in to the following year. But did that answer your question on the ASPs?

**<Q – Rodny Nacier – KeyBanc Capital Markets>:** I guess I'm where I need to be. And my second question is on the adjustments for Denver. Was the adjustment for the profit in this quarter, was that tied to the seasonal weakness, or should we be expecting going forward each quarter be adjusting the lumpiness in the Denver profits and losses by quarter?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Clearly, this is going to – given the first quarter and the pure seasonality of it, I think what we're saying is you've seen the toughest quarter that Denver would have. And we're saying for this year in many respects you can just take that and carry it through. I think that's probably what we're saying right now, Rodny.

**<Q – Rodny Nacier – KeyBanc Capital Markets>:** Okay, all right. Thank you very much, and I'll get back in queue.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thanks, Rodny.

Operator: Our next question comes from Ted Grace of Susquehanna. Please go ahead.

**<Q – Ted Grace – Susquehanna Financial Group LLP>:** Hi, guys. How are you doing?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Good, Ted. How are you?

**<Q – Ted Grace – Susquehanna Financial Group LLP>:** Great. So I was hoping to come to aggregate margins, and I apologize if I'm just a little slow figuring this out. But in the last five quarters, by our account you've had very strong pricing. So when we look at the incrementals, and I know that there are a lot of moving variables that have influenced the last four quarters on the margin side. But they just look a lot weaker than I think we would have expected given the pricing you've gotten, including 1Q, where call it underlying operating margins – incrementals, excuse me, look like mid-teens. Historically, we've talked about normalized as call it something in the 60% range. I know you've talked about diesel being up 15%. You've talked about energy being up 18%. That's 12% of your cost structure. But you had better pricing probably than we would have expected. Maybe others were more optimistic. And weather certainly the last couple of quarters would have been a productivity benefit. Could we just review? Is there anything that has changed? Are there issues that I'm just forgetting about that would help me understand why the incrementals have been so far below what we'd look for in this kind of environment where you're getting some growth?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Ted, I think the issues are probably twofold. And I think the issues are purely the level of volume that you're seeing in Q1, again relatively low volumes. And I think the other is simply going back and I know it's hard to see from where you're sitting. It's tied into how much we're sending from producing locations to yards right now. In the first quarter, we simply needed to build some inventories at some of our yards. And that cost was going to be a very different number simply as we're trying to build some inventories here in the first quarter. I can tell you that as we look at the business and we contemplate what margins and incremental margins will look like as volumes come back, we continue to be very comfortable and very committed to the types of numbers that we've given you and the others as well.

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**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** And, Ted, if I could just add some more color to that, the real issue is that you've got, if you look at the segment information, you've got acquisitions buried in there. So if you think the heritage business same-on-same, so to speak, same-store sales, look at the incremental gross margins there. If you look at a couple of the impacts of energy as well as the impact of restocking the yards, which will be sales that come in the future but those costs get taken today, our incrementals are in excess of 50% on our heritage business, a little bit shy of the 60% target that we have on average, not too far out of the ballpark. Part of that is addressed by some of the supplies, repair, and maintenance costs that we've had to accelerate into the quarter because we did get started just a little bit earlier. I think there is just so much noise around the comparability of margins, it's difficult to tell on the face of the financials.

**<Q – Ted Grace – Susquehanna Financial Group LLP>:** That's very helpful. And just so I'm somewhat calibrated for the second quarter, I know you did point out that you had absorbed some excess costs in the first quarter due to better than expected production, and that's a supply cost problem. Should we look for second quarter to have the reverse of that and a benefit on the incremental side, or is that a trend that you think is going to continue to build up for a couple quarters anyway?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** I think you can certainly look for a degree of benefit from that going through. I think when you do come back and you start earlier, you can simply take a look at the M&R and supply line. Our supply line was up around 19% for the first quarter, and really that's going to explosives. It's going to belting. It's going to fuel. It's going to a number of different items. And on a percentage basis, that's a big pop. And I think as we come into Q2, you'll certainly see the appropriate moderation there.

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Essentially Ted, your startup costs, if you think about it, you had facilities somewhat not deliver for a period of time. You're going to have some startup costs. Those have gotten moved into the first quarter and shouldn't repeat themselves. So we're expecting to see that trend reverse.

**<Q – Ted Grace – Susquehanna Financial Group LLP>:** Okay, that's really helpful. The second thing I was hoping to ask is, I know Ward made some specific comments about initiatives with the DOTs in Texas and Iowa. But if we look at the contract awards for your top ten states in the first quarter, they are down something on the order of 40%, which is not insignificant. And the last three months have been pretty bad trends for the whole industry. So it's not just your states; there are certainly states that are worse. But I know you made some comments in your prepared remarks. But I'm just wondering if you could give us some sense of how to think about this data, just given that at least through the first quarter the awards are looking pretty bearish, for a lack of a better word.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** I'll let you know a lot of that was twofold, in fact. It's simply where people are or not on the highway bill. And I think you're seeing a certain degree of the stimulus come out as well. Keep in mind, a very different stimulus circumstance this year. When we came into 2011, there was around 22% of stimulus that was left. When we came into this year, around 14% was left. And by our math, around 2% of it went already this year, so there is only about 12% of that left. I think you're still seeing a lot of timing issues there, Ted.

And back to my point earlier, if we take a look at really where NC DOT is and I look at their five-year work plan, they're looking at a 2012 – 2013 work plan of $3.8 billion, a 2013 and 2014 work plan of $3.9 billion. At the same time, if we look at Texas, keep in mind they're an August 31 fiscal year; $4.4 billion this year, $4.5 billion in 2013, and that doesn't take into account the additional $2 billion that we identified in my prepared remarks as well. So I think you have a timing issue. I think you have highway bill issue, and I think you have the stimulus issue describing the numbers that you're seeing. As we go back and take a look at the DOTs and where they are and what we think their spending will be, it does give us a good sense of confidence there.

**<Q – Ted Grace – Susquehanna Financial Group LLP>:** All right. That's very helpful, guys; best of luck this quarter.

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

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Thanks, Ted.

Operator: Our next question comes from Jerry Revich of Goldman Sachs. Please go ahead.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** Hi, good afternoon.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Hi, Jerry.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** Ward, can you talk about the extent of cost cutting that you expect on the Denver assets, taking out of the equation any volume recovery over the next couple of years just in terms of running the business operationally, as you do at your other sites? What are your targets perhaps on a percent of sales basis or whatever you think is the right way to frame that?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** I think it's probably too early be come out and give specific targets on that. Here's what I'll tell you, Jerry, and this is what I'm pleased with in Denver. We've given you an overview of really how that market is behaving right now. I think the one thing that we haven't spoken much about is the team that we put in place. And what we have in Denver is a team: A), that has a lot of history in Denver; and B), a team that has some history with us; and we think those two things are incredibly important. And we have a business, we have a team, and we have a culture that we're confident that's extremely well with where we are. And we're obviously going through a first quarter and second quarter process of integrating that business into our normal operating processes systems-wise and otherwise. So to come back and give you very specific numbers right now I think would be premature. But I'd come back and reaffirm what we said before. This is a transaction that we believe puts us in a great market. We're excited about what we bought. We're excited about who is with us, and we feel like that's going to be a nicely accretive business for us as we go into 2013.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** And as we take a look at the margin structure of the business today relative to your overall aggregates segment, the lower margins here, is that a function of business mix with the ready-mix business in there, or is this business at a different point in the cycle and the recovery in margins in this business in 2013, how much of that is in your mind volume versus cost measures?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** We know we can control costs. It's tougher to control volume, so we're going to go after it appropriately on the cost side. I think at the same time, if you come back and look at the numbers that I talked about earlier and you assume it's going to be 800,000 cubic yards of ready-mix and 1.5 million tons of hot mix, that's basically taking the hot mix exposure we had wholly before and doubling it. So we had around – I want to say 1.4 million tons last year. This is about 1.5 million that came in with this. I think at the same time, if we had gone back last year and looked at our heritage ready-mix business, it was probably somewhere around, just call it 450,000 cubic yards. So coming back with this is also a pretty big chunk. It's different than we would have had in the past, but that's how that Denver market is built, and that's how you have to be structured to compete there.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** And on the pricing side, very good price increases for your businesses. Can you talk about what kind of price increases you're seeing out of ready-mix and asphalt mix customers in areas where you're not vertically integrated? How aggressive are they being about pricing over the past couple of months?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** We're clearly seeing a better trend on that. The toughest area that we had seen in trying to get price increases has been in the ready-mix community. And I think that's a business that in part has come to the conclusion that they can no longer save themselves to prosperity, and we're certainly looking for price increases there. We're certainly looking for it in liquid – I'm sorry, in asphalt as well. Keep in mind, liquid asphalt itself is moving around. And as that moves, it can help other aspects of it.

Probably one thing that you'd like to know, Jerry, is if we look at just liquid asphalt prices in the quarter through Q1 2012, they were ranging anywhere from call it $515 up to around $550 a ton. And that's up year over year from something that was probably closer to the low to mid-$400s last year, and the trend continues to be anywhere from $50 to $100 a ton up. So to answer your question directly, I think ready-mix producers are clearly understanding that they need to handle their cost structure differently and we are seeing price increases there. And we are looking for them and we're doing the same on asphalt.

**<Q – Jerry Revich – Goldman Sachs & Co.>:** Anne, is there a way to frame the range and pricing conditions like you're seeing by region just to help us get a sense of the variability? Perhaps what portion of your business are you seeing year-over-year pricing increases versus flat to down?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** The best way to look at that, Jerry, is look at the different periods we have ahead of us. I'm seeing pricing up as high as low teens. I've seen it down as much as mid-single digit. Where it's down mid-single digits, that tends to be one of the mix issues that we were talking about in a Mid-Atlantic state. I'm sorry; we're getting some feedback, Jerry. Can you hear me okay?

**<Q – Jerry Revich – Goldman Sachs & Co.>:** I can hear you okay.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Okay, did that answer your question?

**<Q – Jerry Revich – Goldman Sachs & Co.>:** That's perfect, Ward, thank you.

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

Operator: Our next question comes from the line of Garik Shmois of Longbow Research. Please go ahead.

**<Q – Garik Shmois – Longbow Research LLC>:** Hi. Thank you, good afternoon. The first question is I was just wondering if we could follow up on a previous question with respect to the M&R costs that were pulled forward into the first quarter. Is it possible to quantify how much in your view was pulled forward into 1Q and that are going to be non-recurring?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, Garik, if I look at M&R costs, they were up almost 10% for the quarter. So if I really look at the big buckets that had some movement, energy we talked about the fact that it was up pretty considerably. Supplies on a percentage basis were up even more than energy, and M&R was up close to 10%. So as I look at those numbers, I feel like we will certainly get some benefit of those as we move into second quarter. Clearly, as Anne indicated before, when you're coming out of winter, when you're starting operations earlier, what's going to happen is you will have some startup costs that you probably would have incurred in some degree more in Q2, and we clearly had more of that in Q1.

**<Q – Garik Shmois – Longbow Research LLC>:** I guess I'm just trying to figure out the order of magnitude. Is this a couple million dollars that won't be impacting 2Q, or is it $5 million to $10 million on this line?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Garik, if you look at total production tons, they were up about 7.5% to 8%, and these costs were up in a range of 10%, 15%, 19%. You could make a pretty good case where you would expect those costs to proportionally rise. So I would argue that those pieces that are in excess of our increase in production costs are our pull-forward costs.

**<Q – Garik Shmois – Longbow Research LLC>:** Okay, thanks for that. And then I guess just to dive in a little bit more in some of these markets which you experienced negative mix, in Denver and in the Mideast, you highlighted one of the projects in the Mideast as dragging down pricing. I'm just wondering if you can provide the timeline. Are these projects supposed to be negative to pricing mix through the balance of 2012, or will they be rolling off here sooner than later so you'll a reversal in the back half of the year?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** I think the issue in the Mideast rolls off actually very easily and very nicely. That was simply a sand job. When volume comes back in that much more seasonally situated business, that will be entirely muted, in my view. At the same time, what we were seeing in Denver is we were simply seeing a higher degree of base in that market compared to what we would see in most of our business. I want to say 50%-some of it was actually based in Q1, but keep in mind Q1 is not going to be a representative quarter for what goes on there. So I would take the noise around mix on those two markets, Garik, and not be particularly concerned about that going forward.

**<Q – Garik Shmois – Longbow Research LLC>:** Okay, great, and then just one more question related to the Vulcan bid. You've taken on about $40 million of costs associated with business development expenses. I'm just wondering how much more cost do you expect to be incurred. Do you think you've seen most of it at just this point? I guess is there a point if costs do continue to accelerate, then your view of the deal would change?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** We obviously watch that very carefully, and this is something that we feel very deeply and feel very strongly about. We've been clear about it. We knew it would not be an inexpensive process, and we were right on that.

Here is what I would tell you with respect to the quarter though, Garik. We had a full trial. We had a full trial in Delaware. We had all the discovery that leads up to a full trial in Delaware. We had depositions, and we had a full employment act for lawyers. That's the best way we can describe it. And I know lawyers have to eat too, but I wish they weren't eating quite so much right now. So hopefully, we have seen the worst of that for a while.

Garik, this is a deal that needs to happen. It's a deal that I feel incredibly strongly about, as I'm sure you can tell from the financials and from what I've said. I feel good about what we're trying to do. I don't feel good about the way that we're having to do it. The fact is these are two companies that ought to be together. We ought to be working together to do something great. We ought to be finding ways to bring two teams together and take the best of the best and have something that in every respect is world class. That's what I want to see. I believe that's what shareholders want to see. I don't want to spend money this way. I don't think it's constructive, but we do believe in this transaction. And I know I got a little preachy on you, I apologize for that, but you can tell I feel strongly about it.

**<Q – Garik Shmois – Longbow Research LLC>:** Understood, and just I'd like to sneak one more in; any update with respect to potential litigation in the other states outside of Delaware?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, obviously, we're waiting for the chancellor in Delaware. There is very little activity underway in the Alabama litigation right now. There is some activity in New Jersey. There's not an enormous amount of activity in New Jersey. The prime areas of activity that's going on in New Jersey right now are efforts to stop us from

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moving forward with our independent nominees. And sadly, we anticipated that would probably be the case. But it's the level of activity that's going on there from a comparative basis I would tell you does not touch the process that we went through in Delaware.

**<Q – Garik Shmois – Longbow Research LLC>:** Got it, thank you very much.

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

Operator: Our next question comes from the line of Adam Rudiger of Wells Fargo. Please go ahead.

**<Q – Adam Rudiger – Wells Fargo Securities LLC>:** Thank you. Most of my questions have been asked and answered. But I want to go back to the very first question that was asked regarding and where you responded with talking about all the confidence you have right now. Yet if I look at the guidance, really you went from I think 3% to 4% or 4% to 5%, and that's pretty minimal volume guidance. So if you could just talk about given the confidence why the change in guidance wasn't more significant also in light of what you just reported in terms of volume growth this quarter?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, we've been in a bunker here for about four or five years now. And one thing I'll tell you, Adam, and we've said it before, this has never been an industry that has been particularly good at calling the turn either way. And I think one thing we like to be is we like to be incredibly clear and very transparent with people. And if we're wrong or we're light on it, we'll come back and tell you about it when we get to Q2. But at the same time, I just think it's a nice problem to have to talk about taking volume guidance up. We haven't been there for a long time, so we like going back in that water.

**<Q – Adam Rudiger – Wells Fargo Securities LLC>:** And I'm not sure how you'll be able to talk about this question or not. But going back to the DOJ, how should investors think about the risk of value destruction associated with a forced asset sale? And what I'm most curious to hear your opinion about is the long-haul networks where quarries and sales yards might be hundreds of miles away, and where the addressable market isn't going to be just the typical 30-mile truck ship radius where there could be a much more significant addressable market.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, I guess it's a practical matter. There is probably not, in this context, a big difference between a local market and a distance market. You've clearly got – that's simply the way some of these markets work. The thing that I guess I take the most comfort in with respect to it, Adam, is number one, I continue to feel confident in our analysis. Number two, we've taken a lot of calls and continue to hear from a lot of people who very much want to have some meaningful dialogue with us on this when we're successful. So I think the number of buyers who are going to be there will be high. I think their level of interest will be considerable, and I don't candidly look at the long-haul or a local market in this context remarkably differently.

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

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Sure. Thank you, Adam.

Operator: Our next question comes from Trey Grooms of Stephens Incorporated. Please go ahead.

**<Q – Trey Grooms – Stephens, Inc.>:** Hey, good afternoon.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Hi, Trey.

**<Q – Trey Grooms – Stephens, Inc.>:** Just a couple of questions. One on you had mentioned a couple times single-family housing. Are you seeing – is this mostly builders coming into existing neighborhoods and putting down foundations and that kind of thing, or are you actually seeing a pickup in builders coming in, in the developing neighborhoods and laying the streets and sidewalks and that sort of thing?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** We are actually seeing both. Now what I'll tell you is I think there are probably more sticks and bricks right now than there are new subdivisions going in, Trey. But at least what I'm seeing in a number of our markets is I am seeing more subdivision type work than I thought I would have. And one of the odd things is you're seeing more of that in some instances on the higher end, which is not necessarily what you would expect. But if we're looking at single-family permits right now, the last numbers I saw were around 23% ahead of where they were in 2011. And part of what I think is a plus side at least relative to homes is the inventory of new homes is pretty lean. Again, the last number I saw was only around 150,000 new homes were available for sale across the nation, and multi-family in that continues to take the lead. But one of the big issues that I think is simply there, Trey, is you are going to have the hangover of around 3.5 million distressed homes that are still out there.

So I think you've got some pluses on res. You've got some minuses on res. What I'm encouraged though is to see the res activity in a market, for example, like Charlotte. Charlotte was a market because of its tie to the banking industry, when that industry really went through its tough times, Charlotte was in a very, very tough spot. And you heard us speak about the customer there who suddenly is bidding on five new projects in that market, and we're seeing that repeat itself in multiple markets right now.

**<Q – Trey Grooms – Stephens, Inc.>:** That's encouraging news. Last question is I guess for Anne. But looking at the cost savings that you guys have identified with this potential Vulcan merger, it started off $200 million to $250 million, and it was pretty detailed what was behind that number. But I think in some of the stuff in Delaware, the number that was kicked around was $300 million or $330 million. Can you talk about what's behind that bigger number, and is it just each of these boxes or categories are bigger, or is there something else there, if you can just give us a little clarity on that, please?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Trey, I think our view on the synergy value is still that we're in the $200 million – $250 million range that we originally came out with, with our proposal. We believe that that is a valid target for us to set out in this combination.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Trey, the prime – and that's the key to that. Anne said it right. It's all around the notion of the combination. It's not going through single buckets here or there. It's taking a look at what SG&A looks like. It's going through the operating efficiencies, taking a look on what can be done from a purchasing perspective. But it's all driven by the concept of the combination.

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** And we've always approached it in a range mentality out of those three major buckets, Trey.

**<Q – Trey Grooms – Stephens, Inc.>:** Okay, thanks a lot and good luck.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thanks, Trey.

Operator: Our next question comes from Chris Olin of Cleveland Research. Please go ahead.

**<Q – Chris Olin – Cleveland Research Co.>:** Hi.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Hi, Chris.



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**<Q – Chris Olin – Cleveland Research Co.>:** With respect to that Specialty Products segment, there have been some indications from the steel industry that the integrated mills will shift toward greater natural gas consumption in order to reduce that coal component, also some focus toward iron substitute plants. I'm just wondering if that could have any impact on your volume going forward.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** As we're seeing it right now, we're not hearing or having any material discussion about that having an impact. If we're looking at steel right now, it's running around 79% of capacity. The fact is if it's running anywhere near 70% of capacity, it's going to work pretty well for us. Chris, I know you follow the steel industry pretty closely. And the last number I saw I think at the end of March, it was running at about 1.9 million tons per week, so it's running at a pretty healthy clip right now. But we've certainly not had any indications from our customers that we're looking at any degree of degradation based on the issues that you raised.

**<Q – Chris Olin – Cleveland Research Co.>:** Okay, thank you. And then just quickly, did you break out how much of your heritage aggregate volumes are directed into the energy sector right now in terms of a percentage or anything like that?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** What we did talk about what we're selling into the ChemRock and rail component. A portion of that is going to be basically what we're using for scrubber. A different portion of it, particularly what we're selling into the shale fields, will be under the non-res piece. But I'll tell you, last year if we took a look at what we were selling relative to energy and shale, it would have been around 4.2 million tons. So I think you can take that and say it's probably going to be a little bit better than that this year. It's going to move around in the shale fields. But if you took that 4.2 million and then came back and probably added another, call it maybe a couple million tons for other power related projects and then came back and took a look at the agricultural line, that will give you a pretty good feel for portions of it.

**<Q – Chris Olin – Cleveland Research Co.>:** So there should be no major impact from the natural gas, the cutback in drilling and places like Arkansas slowing down?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** What I think is going to happen is that we'll move around. And I think that's a fair observation, Chris, because keep in mind; given our rail construct in particular, we can hit the Marcellus. We can hit the Haynesville. We can hit Barnett. We can hit Eagle Ford. We can hit Niobrara, and we can hit the Bakken. So we have the ability to go into all of those different deposits. Now there is a migration, and you can see it, for example, in Chesapeake's numbers. Where people are coming more quickly out of places like Haynesville and Barnett, they tend to be going into the Eagle Ford. So clearly, we have felt some degree of volume decline in a place like Arkansas because of that. There is just no...

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** And we saw that last year, Chris, so we have already experienced that movement. It was that quick.

**<Q – Chris Olin – Cleveland Research Co.>:** Okay, great. Thank you.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Sure, Chris.

Operator: Our next question comes from Keith Hughes of Trust (sic) [SunTrust] (1:05:45). Please go ahead.

**<Q – Keith Hughes – SunTrust Robinson Humphrey>:** Yes, just one question on the highway bill. If we were to get a highway bill, how long would it take – a long-term highway bill, how long would it take for increased business that that would result in come and to take to get to market?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** You know what, if we got a highway bill, I would tell you to really feel any significant tailwind from it, you're probably nine months or so out from that...

**<Q – Keith Hughes – SunTrust Robinson Humphrey>:** You've never seen it. Is that another way to look at it?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Yes, I think that's a fair point Keith.

**<Q – Keith Hughes – SunTrust Robinson Humphrey>:** Okay, that's all. Thank you.

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

Operator: Our next question comes from Mike Betts of Jefferies. Please go ahead.

**<Q – Mike Betts – Jefferies International Ltd.>:** Yes, thank you. Good afternoon, Ward and Anne; two areas of questioning from me, first I guess directed at you, Ward. Just back for the Denver distortion there, I think you said you added 8 million tons of rock from the acquisition. What was lost in the full year from the River system? And also just to clarify, I think in the press release, it talks about the overall impact being neutral at the EBITDA level of that transaction. So presumably, we are going to see a reversal of that minus $12.5 million. Maybe I just misheard earlier, but presumably we will see a reversal of that in Q2 – Q3, just to clarify that.

And then for you Anne, and maybe I misread it, but I think in the press release, it refers to reduction in the tax rate. I think it was previously estimated to be 26% this year, I think it's now 22%. One, is that correct? And if so, what are the factors behind it? Thank you.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Okay. Mike, first of all, I don't think you miss much, so here is what I would come back and say. You're talking about 8 million tons. Actually if you go back, I think what I've said is it was 8 million tons between what we did in the Texas acquisition last year and the Denver acquisition. I didn't actually break down percentages between Denver and Texas, so that 8 million tons would have been a cumulative between those two different markets.

To your point, Q2 will clearly be better than Q1. Q3 will be better than Q2 or Q1. We do anticipate really keeping about level, all things considered, by the time we're finished Q1, Q2, Q3, and Q4 really on where we are in Denver right now as we finish the full year. And again, that's simply part of the integration process.

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** And that's on the earnings line.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Correct.

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Not the EBITDA line.

**<Q – Mike Betts – Jefferies International Ltd.>:** Okay. And on the River system, how much volume went with the assets that went on the River system?

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Yes, I want to go back and look, but I want to say the volumes on the River system were actually pretty consistent, maybe a little bit light from where we are on this 8 million tons we've given you. It's a little bit below that.

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** I think it was about 6 million tons.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** 6.5 million to 7.5 million tons.

**<Q – Mike Betts – Jefferies International Ltd.>:** Okay, thank you; and on tax?

**<A – Anne Lloyd – Martin Marietta Materials, Inc.>:** Yes, you read it right, 23% tax rate. That's really we reevaluated the tax rate during this quarter that we expect for the year. The majority of that, Mike, principally relates to the impact of the transaction cost on pre-tax income and then that impact on all of the permanent deductions, principally depletion. So essentially, we're picking up more permanent depletion.

**<Q – Mike Betts – Jefferies International Ltd.>:** Okay, understood. Thank you very much.

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

Operator: Our next question comes from Brent Thielman of D.A. Davidson. Please go ahead.

**<Q – Brent Thielman – D. A. Davidson & Co.>:** Thanks. My questions have been answered, good luck in the quarter.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** Thank you very much, Brent.

Operator: Our next question comes from Clyde Lewis of Citi. Please go ahead.

**<Q – Clyde Lewis – Citigroup Global Markets Ltd.>:** Good afternoon, Ward and Anne; just one from me, if I may please, on the city of Millett municipality spending, it's obviously tough to bid on state level activity, particularly in Southern Texas and North Carolina, I'm just wondering if you can maybe just put a little bit more color on the activity levels or the lower level of government at the moment.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** The lower level of government is doing in large part what the higher level government is doing, Clyde, and that is they're really focused on maintenance and repair. Here is a significant difference, though, and we're seeing this happen at local level after local level, and that is they are going forward with bond referendums. And when they're going forward with bond referendums, the nice news is, and we'll look at here in our backyard. We saw it in Raleigh. We saw it Durham. Statistics have shown that the bond referendums when you go forward with them, if it's related to transportation and it's a local issue, tend to pass around 75% of the time. That's what we're seeing on those. So we're seeing good, steady, maintenance type work at the city and muni levels. Part of what I referenced in my prepared comments, of course, dealt with more snowbound areas. And they were taking what would typically be snow removal dollars, since they didn't need to use them this year and simply putting them to maintenance and repair. And that's why we felt like that would be incremental to our business. Is that responsive to your question, Clyde?

**<Q – Clyde Lewis – Citigroup Global Markets Ltd.>:** Yes, that's a bit more color. So thank you very much.

**<A – Ward Nye – Martin Marietta Materials, Inc.>:** All right. Clyde, thank you very much.

Operator: I'm showing no further questions at this time. And I'd like to turn the conference back over to Mr. Ward Nye for any closing remarks.

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

I'd be remiss not to take this opportunity to thank our employees and their families who put forward remarkable effort every day to allow us to operate safely, control costs, deliver results, and execute

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toward strategic initiatives. With respect to those initiatives, we know you're waiting for clarity regarding both the Delaware litigation and the DOJ regulatory review. And in that regard, May should be a busy month as we continue to pursue the business combination with Vulcan. Later today, we will release and file an updated presentation outlining our most current view of the proposed transaction, and we'll continue to keep you updated as appropriate.

There is undeniable strategic and industrial logic in the combination of Martin Marietta and Vulcan. However, Vulcan seems to continue to fundamentally mischaracterize our proposal, ignore its own inflated trading multiple, and set unrealistic expectations for the relative timing and extent of their recovery.

We do want a make a few points clear. Our stock-for-stock combination proposal does not cash out Vulcan shareholders. Instead, it does provide Vulcan shareholders an approximately 58% continuing ownership in a stronger entity with an immediately derisked balance sheet, meaningful dividend restoration, shared synergies through a more realistic view of near-term economic recovery, and shared upside through the economic cycle. Our stock-for-stock combination proposal does not undervalue Vulcan. Instead, it does provide a tax-free combination. And in fact, it values Vulcan at approximately 17 times its projected 2012 EBITDA. Finally, our stock-for-stock combination proposal does not exploit cyclical lows. Instead, it does underscore our belief that Vulcan's share price given its current trading multiple already reflects expected economic recovery.

Martin Marietta continues to outperform Vulcan in nearly every relevant measure. During the quarter, we had stronger aggregate pricing growth, grew net sales at a faster rate, and generated stronger absolute margins than Vulcan. We continue to operate with what we believe are industry leading SG&A levels as a percentage of the net sales and, again, set quarterly records in our Specialty Products business.

It does all come down to value and we believe both Martin Marietta and Vulcan's shareholders stand to benefit from this powerful combination. Vulcan shareholders have an opportunity to send a strong message to their Board by electing Martin Marietta's independent nominees to the Vulcan Board and support the transaction for their shareholders. We ask you to please do so.

All that said, thank you again for joining our first quarter 2012 earnings call and for your interest in Martin Marietta Materials. Our first quarter trends and initiatives should lead to a successful year. We look forward to discussing our second quarter results in August. Have a very pleasant day.

Operator: Ladies and gentlemen, that does conclude today's conference. You may all disconnect and have a wonderful day.

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